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MARTIN AND WALLER NOMINATIONS

HEARING

BEFORE THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON THE

NOMINATION OF WILLIAM F. MARTIN TO BE DEPUTY SECRETARY OF ENERGY, DEPARTMENT OF ENERGY; AND DAVID B. WALLER TO BE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES, DEPARTMENT OF ENERGY

APRIL 14, 1986

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MARTIN AND WALLER NOMINATIONS

MONDAY, APRIL 14, 1986

U.S. Senate,
Committee on Energy and Natural Resources,
Washington, DC.

The committee met, pursuant to notice, at 2:30 p.m., in room SD-366, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Domenici, Wallop, Warner, Nickles, and Ford.

Also present: E. David Doane, senior counsel; Richard D. Grundy, senior professional staff member; D. Michael Harvey, chief counsel for the minority; and Elizabeth Moler and James T. Bruce, counsels for the minority.

OPENING STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator Nickles [presiding]. Good afternoon. The purpose of today's hearing is to consider the Presidential nominations for two positions within the Department of Energy, William Martin to be Deputy Secretary, and David Waller to be Assistant Secretary for International Affairs and Energy Emergencies.

It is a pleasure to be chairing these proceedings today since both men have strong connections to the State of Oklahoma.

Our first witness today will be Mr. Martin, who is the nominee for Deputy Secretary. The Deputy Secretary has a major role in formulating and implementing our Nation's energy policies.

In this capacity Mr. Martin would assist the Secretary in carrying out the responsibilities delegated to the Department of Energy by both the President and Congress. He would also assist the Secretary in representing the Department's views before the public and presenting its policy positions to Congress.

Mr. Martin joined the National Security Council at the White House in 1982 and currently serves as Executive Secretary of the National Security Council and Special Assistant to the President for the National Security Affairs.

Prior to his present duties Mr. Martin served on the National Security Council as Director of International Economic Affairs where he was responsible for international energy matters.

He also served as Deputy Executive Secretary and Senior Director of Coordination for the NRC.

He has several fine qualifications, and I will just touch on a couple of those. Since he joined the National Security Council, his responsibilities have included briefing the President on issues such as international and energy emergency preparedness in light of the Iran-Iraq hostilities, United States-Japan energy trade, European energy security, and the Siberian gas pipeline.

He has also coauthored a book, "Energy Supply to the Year 2000," and since then his duties have ranged from handling relations with OPEC for the International Energy Agency to managing international energy policy at the State Department.

Mr. Martin, we welcome you before this committee. I note that you have a BS degree from the Wharton School of the University of Pennsylvania and an MS from the Massachusetts Institute of Technology where you specialized in natural resource issues.

We are also pleased that you have your family with you today. Do you care to introduce them?

Mr. MARTIN. Yes, I would, Senator. To my far right is my father and his grandson, Nicholas; my wife, Jill Martin; my stepmother, Mary Martin; and my mother, Aileen Martin is here; and her husband, John Bearard.

Senator NICKLES. We are pleased that the Martin family is here. Senator Ford, did you have any opening comments?

Senator FORD. I was quite shocked when you made the statement that both of them had Oklahoma connections.

Senator NICKLES. Are you getting nervous?

Senator FORD. I got a little bit nervous, yes. No, Mr. Chairman, I have no questions or statement at this time. I will probably have some questions.

Senator NICKLES. Mr. Martin, the rules of the committee which apply to all nominees require that they be sworn in in connection with their testimony.

[Whereupon, William F. Martin was duly sworn by Senator Nickles.]

Senator NICKLES. Please be seated. Before you begin your statement, there are four questions addressed to witnesses before this committee who are nominated for positions.

I would like to ask these questions of you.

Will you be available to appear before this committee and other congressional committees to represent departmental positions and respond to issues of concern to Congress?

Mr. MARTIN. I will.

Senator NICKLES. Your informational statement has been submitted to the committee. However, it is required that this statement be made public unless the committee decides that special circumstances justify an exception.

Do you have any objection to the publication of your informational statement?

Mr. MARTIN. I do not.

Senator NICKLES. Are you aware of any personal holdings, investments, or interests that could constitute a conflict of interest or create the appearance of such conflict should you be confirmed and assume the office for which you have been nominated by the President?

Mr. MARTIN. My investments, personal holdings, and other interests have been reviewed by myself and appropriate ethics counselors within the Federal Government. I have taken appropriate action to avoid any conflict of interest.

There are no conflicts or appearances thereof to my knowledge.

Senator NICKLES. Are you involved or do you have any assets held in a blind trust?

Mr. MARTIN. Yes. I created a blind trust in order to avoid any possible perception of conflict of interest in respect to my NSC activities.

I placed surface and mineral interests in a number of parcels of land located in Oklahoma, Texas, and New Mexico in the trust. I have directed the trustee to dispose of the producing parcels before I am confirmed.

The remaining nonproducing parcels will remain in the blind trust. However, should they become producing parcels, they would be disposed of in the same manner by the trustee.

The Office of Government Ethics and the general counsel of the Department of Energy have advised me that this arrangement meets all Federal Government conflict-of-interest laws.

Senator NICKLES. Thank you, very much, Mr. Martin. Would you care to give your statement?

STATEMENT OF WILLIAM F. MARTIN, NOMINEE, TO BE DEPUTY SECRETARY OF ENERGY, DEPARTMENT OF ENERGY

Mr. MARTIN. Thank you, Mr. Chairman. I have a full statement which I would like to submit for the record and briefly summarize at this time.

I appreciate the opportunity to appear before this committee as President Reagan's nominee to be Deputy Secretary of Energy. If confirmed I look forward to serving with Secretary Herrington and working closely with this committee.

I was born and raised in Tulsa, OK, and received degrees from the University of Pennsylvania and MIT. My professional career has been devoted to public service in the energy and national security fields. I have spent 4 years at the MIT energy laboratory, 4 years in Paris at the International Energy Agency, first as an energy economist and then a special assistant to the Executive Director, Ulf Lantzke.

I have served in the State Department with Under Secretary Myer Rashish and I have also served in the National Security Council, both as an energy specialist and later as a manager of the NSC staff. Throughout my experience I have been able to work closely with the Department of Energy. I look forward to the duties and challenges of the position of Deputy Secretary.

I think the experience of the last decade has illustrated the importance of striving for secure and diversified energy resources at reasonable prices. To that end we should continue to support the economic development of our indigenous energy base, including oil, gas, coal, nuclear power, and new and renewables.

We should base our approach on reliance on free markets and continued efforts to remove obstacles to the functioning of the market.

In addition, the past decade has illustrated the importance of energy conservation as millions of consumers have responded to higher prices by using energy more efficiently. Conservation remains a cornerstone in our efforts to achieve a secure energy future for the United States.

We have also made progress in the area of emergency preparedness. And here the 500-million-barrel strategic petroleum reserve is a major accomplishment for our country. Our taxpayers have carried most of the burden of building stocks, and I think at this particular time it is critical that we urge our allies and partners to do likewise. We are all dependent on one international oil market. And to the extent our friends are diversifying their energy resources, using energy more efficiently, and putting stocks into their caverns, we all gain.

The recent dramatic fall in oil prices has many implications. First and foremost, lower oil prices are a great boost to our economy. Greater growth, lower interest rates, less inflation, and improved balance of trade are certainly welcome.

Also, money is going back in the pockets of the consumers, and that is good news. At the same time we must be mindful of the economic and national security implications of reliance on insecure sources of foreign oil.

We cannot afford to allow ourselves to become overly dependent on a single set of producers again who can exercise monopoly power over our consumers. The coming months will be challenging ones as we debate the issues of falling oil prices, and I look forward to working with Secretary Herrington and this committee to seek answers based on sound analysis and good judgment.

Let me conclude, Mr. Chairman, by saying that we have not forgotten the lessons of the past, and we are not complacent.

At the same time we have to recognize that considerable progress has been made in diversifying our energy resources, in using energy more efficiently and in building stocks.

The challenge before the administration in this committee is to continue a market-based energy policy that gives the economy and the consumers the full benefit of falling prices, and at the same time ensures our medium and long term energy security.

[The prepared statement of Mr. Martin follows:]

STATEMENT OF

WILLIAM F. MARTIN

NOMINEE FOR THE POSITION OF

DEPUTY SECRETARY OF ENERGY

OF THE DEPARTMENT OF ENERGY

BEFORE THE SENATE COMMITTEE

ON ENERGY AND NATURAL RESOURCES

APRIL 14, 1986

Mr. Chairman, Members of the Committee,

I appreciate the opportunity to appear before you as President Reagan's nominee to be Deputy Secretary of Energy. If confirmed, I look forward to serving with Secretary Herrington and working closely with this Committee.

I was born and raised in Tulsa, Oklahoma and received degrees from both the University of Pennsylvania and MIT. In 1974, I married the former Jill Wheaton and we have two sons.

My professional career has been devoted to public service in the energy and national security fields. From 1974-1977, I was a program officer of the Workshop on Alternative Energy Strategies -- a sixteen country energy assessment group based at the MIT Energy Laboratory, headed by Carroll L. Wilson. I then served in the International Energy Agency in Paris, first as an energy economist and then as the special assistant to the Executive Director, Ulf Lantzke. In 1981, I joined the Department of State as an energy and East-West economics specialist and moved to the National Security Council staff in 1982 to handle energy and other international economic issues. President Reagan appointed me Special Assistant to the President for National Security Affairs in 1983 and in 1985 I became Executive Secretary of the National Security Council.

Throughout my professional career -- at MIT, IEA, State and the NSC -- I have had an opportunity to work with the Department of Energy and its national laboratories. I am honored to be nominated to become the Deputy Secretary and look forward to the duties and challenges of the position.

The experience of the last decade has illustrated the importance of striving for secure and diversified energy sources at reasonable prices. To that end, we should continue to support the economic development of our indigenous energy base including oil, gas, coal, nuclear power and new and renewable energy resources through reliance on free markets and continued efforts to remove obstacles to the functioning of the market. For example, we should complete decontrol of natural gas price at the wellhead and thereby reduce prices to consumers, support R and D for the clean burning of coal, adopt streamlined licensing procedures for nuclear power with continued high regard for the public's safety and continue to support basic research on new technologies to ensure a stable and diversified supply of energy into the next century. The private sector and national laboratories are indispensable partners in exploring these new technologies.

The past decade has also illustrated the importance of conservation. Consumers by the millions have responded to higher prices by using energy more efficiently. Many have learned that conservation is a sound business practice. We can encourage this trend by continuing to disseminate information about energy savings potential, support promising R and D that has broad applicability to future industrial technology development and continuing energy demand analysis of key sectors to facilitate reliable projections and decision making in the market place.

We've also made progress in the area of emergency preparedess by taking out an effective insurance policy in the form of our strategic petroleum reserve. Our taxpayers have carried most of the worldwide burden of building strategic stocks. We must urge our allies and partners to do likewise. We are all dependent on one international oil market. To the extent our friends are pursuing vigorous development of their indigenous resources, conservation programs and stockpiles, we all gain.

In all these areas we must continue to have high regard for environmental, safety and health standards. Secretary Herrington, in particular, places importance on these issues both for the national energy agenda as well as internal DOE operations.

The recent dramatic fall in oil prices has many implications. First and foremost, lower oil prices are a great boost to our economy. Greater growth, more jobs, lower interest rates, less inflation and improved balance of trade are certainly welcome. Money is going back into the pockets of consumers and that is good news. At the same time, we must be mindful of the economic and national security implications of increasing reliance on foreign oil. We cannot afford to allow ourselves to become overly dependent on a single set of producers who can exercise monopoly power.

The coming months will be challenging ones as we debate the issues surrounding falling oil prices. There are many tough questions and no easy answers. Let me assure you, however, that I will work with Secretary Herrington, other interested agencies and this Committee to seek answers based on good economic analysis coupled with sound judgement.

Mr. Chairman, let me conclude by saying that we have not forgotten the lessons of the past and we are not complacent. At the same time we must recognize that considerable progress has been made over the last decade in diversifying our energy sources, making gains in energy efficiency and building an effective strategic reserve. The challenge before the Administration and this Committee is to continue a market based national energy policy that gives the economy and consumers the benefits of falling prices and at the same time ensures our medium and long term energy security.

Thank you.

Senator NICKLES. Thank you very much.

Senator Ford, do you have any questions?

Senator FORD. Just one quick question, Mr. Martin. Looking at your statement you talk about reliance on the free market, and I debated with Mr. Herrington at some length and he is talking about the blessings of the free market, whether we actually had a free market at work.

It was my belief that it was primarily the Saudis who were flexing muscle. In other words, the cartel can flex muscle two ways, they can restrict production and drive prices up, or they can increase production and drive prices down. At least it is my contention that we don't really have a free marketplace at work today or at least certainly not a total free market at work.

Would you care to comment on your opinion? You have had some expertise or background in international energy issues with IEA and for some time working with the National Security Council. Do you think we just have solely a free market or do you think there is a manipulation of the market by the Saudis?

Mr. MARTIN. I don't know if I would call it manipulation by the Saudis, but I would say that I think they are fatigued of always carrying the burden of OPEC by cutting their production to maintain the cartel. And what they are doing now is exercising their prerogative to increase production and gain market share.

I don't know if that is manipulation, but that is what they are doing.

Senator NICKLES. Do you think there is a national security interest that our country should be concerned about if they decided to increase production, as they could, they could double it again, 4½, 5 million barrels per day, maybe move it up to 8 or 9?

Let's say they did that and they drove prices down. My guess is if they increased production to that kind of volume they could drive prices down to $4.

Should we be concerned about what that might do to the domestic industry and what that might do as far as our increased production or increased reliance and dependency on imports in the future?

Mr. MARTIN. Senator, that is a very complicated question. I come from the National Security Council. I noticed one thing about being from NSC is several people will come to you and make the national security argument.

When you do that, you have to watch your pocketbook, but I can tell you that I lived through the experiences of the 1970's when this country became over half dependent on foreign oil, and I lived through the years in Paris where the price of oil tripled in 5 months as consuming countries scrambled to meet their own obligations to their consumers.

And I don't want to allow this country to be put in that vulnerable situation again. I think we need a viable industry here at home. We need a solid oil and gas industry. We need to pursue coal. We need to pursue nuclear power and conservation so that we don't live through the 1970's again.

Senator NICKLES. Senator Ford.

Senator FORD. Mr. Martin, why do you think you can make a better contribution to your country by becoming Assistant Secretary of Energy compared to your very close position at the White House in the same particular field?

Mr. Martin. Senator, my last job at the NSC was as Executive Secretary of the National Security Council. By statute that is the head of the National Security Council staff. It is a highly operational job with an office in the west wing next to the situation room.

It is not what I would call a policy-oriented job. Indeed, the strength of my background is in energy policy, particularly internationally. So when Secretary Herrington asked me to leave the White House, join him at the Department of Energy, I thought that would be a good move for me because the DOE does two things, national energy policy and national security, including the very important element of our weapons program and testing.

So I thought it was a good fit and I certainly look forward to the duties of the position.

Senator Ford. Let's talk a little bit about conservation. You started off your statement about conservation as the cornerstone.

Do you find that we are beginning to get away from conservation even with the Japanese building larger cars now to satisfy the appetite of the general American purchaser?

Mr. Martin. Senator, I believe that much of the conservation gains we have had will remain. Our cars are much more efficient than they used to be.

I was talking to a consumer recently who bought a new car; I won't say what it was, but it was a big car. She said, you know, it still gets 22 miles to the gallon and, gee whiz, I am paying 70 cents a gallon, isn't that great?

I think the conservation ethic is still there with the American consumer. I think, also, if lower oil prices stimulate our economy, you get faster capital turnover in the industrial sector as well as in the commercial and residential.

And this capital turnover will bring about more efficiency, so I will monitor this situation very carefully, though, because I think conservation really is one of those three pillars, as Secretary Herrington calls it, for a secure American future.

Senator Ford. You are saying that lower oil prices stimulate the economy. It appears that, and I am not sure if Vice President Bush put both feet in his mouth, but at least one, he is encouraging the Saudis to increase the price of oil by the statements, and apparently on TV yesterday he did not deny that.

We run into the problem of banks being in bad financial straits as it relates to loans to energy, energy-connected loans. We find rigs being mothballed. We find the administration stopping any purchase of oil at low price to put in the strategic petroleum reserve.

And all of these things that you are saying and what the administration's approach is are at cross purposes.

Are you an administration appointee or are you going to try to take that consumer's position and try to do that?

Mr. Martin. I think first and foremost the oil price decline is a stimulus. I believe some recent numbers I saw out of EIA suggest that GNP will be a percent higher, inflation 1 percent lower, and the deficit cut by maybe $15 to $20 billion over the next couple of years because of lower oil prices.

Senator **Ford**. It has to be more than that this year.

Mr. **Martin**. So, indeed, as I say, that is good news to the broader economy, but I also recognize problems inherent on becoming unduly dependent on foreign sources of oil.

That is why I said that a viable domestic industry as well as efforts to conserve energy and continued stockpiling are vital. I understand that we have a moratorium at the moment, but 500 million barrels is a good insurance policy for today's energy situation.

I think all of these give us a chance to take a breathing space at the moment and look at the situation in the 1990's when the problem could reoccur.

Senator **Ford**. Let me just get back to the basic of the question. My question, take a statement or a line from your statement, and I quote, when you say "we must be mindful of the economic and national security implications of increasing reliance on foreign oil." That says a whole lot.

Why shouldn't we continue to fill the strategic petroleum reserve, just to stay in that parameter 1 minute?

Mr. **Martin**. I think if you look at the 500 million barrels that are there, that is about 125 days of import protection for this country.

Senator **Ford**. We can only get 2 million barrels out now per day.

Mr. **Martin**. I know, but I am not against stockbuilding and I have been a proponent of it within the administration, but that is a lot of oil.

What I would like to see us do is to go out very vigorously internationally with the Europeans and Japanese and have their taxpayers pay a little bit of the burden in building their stockpiles. Their efforts have lagged behind our own, and a barrel saved anywhere in the world is a barrel of security for all of us.

So I think before our taxpayers continue to put money into this SPR, let's let the Europeans and Japanese do a little bit more. I am not against stockbuilding. I believe one of the lessons of the 1970's was that it is much better to build stocks and use stocks in an emergency than to go the route of allocation.

I think tomorrow is April 15 and we are all mindful of the budget constraints we face. I am not against the administration position of a 500 million barrel limit right now.

Senator **Ford**. If we don't get any more cooperation from our allies in this area than we have in some of the others, we will not have much success.

I may have two or three other questions. I won't take the time now, I guess you are ahead, to ask the questions, but I find it a little bit disconcerting when you look at what OPEC countries did to us in 1973 by turning the spigot off.

We are back at about the same consumption or maybe more per day. Our ability to produce is almost at its lowest ebb. There are probably fewer rigs out today than we have known in a long time.

You are familiar with Oklahoma. You know that they are cutting rigs up out there now for scrap as the Senator from Oklahoma advised us not too long ago.

So it seems to me that we are absolutely going down that road to a problem that could hit us fairly soon. We watched a little strike raise the price of oil $4 a barrel over the weekend.

So I am very concerned about it. And when you are a good soldier, and I suspect you are, or you wouldn't be nominated, the proposal by the administration and your testimony indicates we want to go two different roads, and I don't know how you can wear two hats.

I don't think I would want you around very long if you were wearing two hats and I submitted your name for the position.

Do you follow what I am saying? And I hope that we can accomplish what you want to accomplish, but conservation right now is not one of the accomplishments that we are seeking.

Thank you, Mr. Chairman.

Senator WALLOP. I would just make an observation that I have now been here when energy prices were skyrocketing, and the only thing I have found Congress interested in was revenge, I mean, we wanted somebody's hide and we wanted somebody to blame and we were not interested in any dimension in energy policy.

It then followed a period of great stability in which we had reasonable prices, reasonable supplies, reasonable expectations, and nobody was interested in energy policy.

And now we have a time when energy prices are declining as rapidly as they once rose, and nobody is interested in energy policy.

Senator FORD. May I say to my distinguished friend if he would look at my record since 1975, there has been some interest in energy policy by at least one Senator, and you can take the brush and paint it for the other 99 if you want to.

Senator WALLOP. I must say to my friend from Kentucky I wasn't singling out. I am talking about just generally speaking Congress is not.

You and I have together tried to do some things on energy policy, but Congress is not interested in it. It is too painful.

We held hearings in the Finance Committee the other day on the possibilities of a sliding scale import fee to stabilize price, and we found in amazement that those who are interested in protecting all kinds of other U.S. industries are not interested at all in the most basic of all of them, and that is energy supply.

Senator FORD. The State Department comes in and tells you that you can't do it for this country, you can't do it for that country, and you wind up not being able to do it for any of them.

Senator WALLOP. We find all kinds of reasons.

Let me ask you a question, Mr. Martin. With regard to the stockbuilding, the goal is to have 90 days. A 90-day supply is going to be substantially larger volume of barrels as our dependency increases, so that what would be a 90-day supply even today is likely to be a 60- to 65-day supply and the same barrel number by the time another year is out on this as our own domestic production declines and our dependency increases.

Isn't that then a time to contemplate a more rapid expansion of SPR with or without the cooperation of the Europeans and the Japanese?

Mr. MARTIN. Senator, in any event I hope we urge the Europeans and Japanese to build, and we are, but I would like to take a picture of the next 10 years and see what our oil import situation is likely to be with estimates from EIA and others so we can get the basis right.

Senator WALLOP. Let me suggest to you that if you are here representing yourself as able to tell what energy is going to be about in ten years, I don't want you as any part of that, you or anybody else.

I mean, we have found out that we cannot forecast energy.

Mr. MARTIN. I think we have to make a best guess at it because you have just made a projection in your statement that we might become overly dependent on oil imports this year. I would like to see your numbers because I think some indications are that in the 1990's we could once again become very dependent on oil imports.

Senator WALLOP. Listen, I mean, it doesn't take a whole lot to figure out that as our production declines because of declines in price and uneconomic conditions in the oil patch, that we replace what it declines to or declines from with some other source of oil.

That isn't increasing dependency. We can argue what it is going to be. Nobody knows how much less we are going to produce, but surely what we don't produce is going to be picked up someplace. It is not all going to go into conservation with the price going down, is it?

Mr. MARTIN. No, but I think to make a good analysis of what the SPR level should be we have to make projections. If you will recall, people have been warning about the decline in U.S. production for years. It really hasn't occurred yet. I think that is due to more infield drilling, that is, pumping out more oil from the same field.

Senator WALLOP. Would you agree that it is declining rapidly now?

Mr. MARTIN. I would say that with present prices, yes. I read maybe perhaps some 20 percent of stripper wells will go down. That is 300-400,000 barrels a day.

And so I agree with you, but when we are talking about SPR we have to remember we are part of one world market. For the moment, the United States consumer has been building that stockpile for all consumers worldwide because if we use that SPR and don't import oil, it can go to Japan or Europe.

So what I am saying is yes, I am for stockbuilding, I think that is important, but let's get the allies building, too. I don't think the administration has reneged on the 750 million barrel level. I think they are still for that, but I do believe that at this point in time they think that for budgetary reasons it is a time for fiscal reasons to pause.

I will be looking at it very closely, sir.

Senator WALLOP. Let me change gears for a minute. Let me ask you what the status of the U.S.-U.S.S.R. scientific cooperation in fusion technology is?

Mr. MARTIN. Senator, as you know, at the time of the Geneva Summit, the President and Gorbachev agreed to explore further areas of collaboration in fusion.

At that time the President agreed that we would engage in research with the Soviets with the ultimate objective of a project, but that we must strictly adhere to Cocom rules, that we must have allied participation, and that we must have effective cost sharing.

So these were three very strong qualifications. Right now we are proceeding very cautiously in this area to ensure that we do not undermine particularly the Cocom agreements of the past. Strengthening of Cocom is very important for this Administration.

Senator Wallop. What is the likely quality of a fusion research effort that is limited by Cocom?

Mr. MARTIN. I must admit I am not a technical expert, but I do believe that this is one of the key planks of this agreement. As you know, the Soviets have had fairly aggressive research in fusion.

Senator WALLOP. How long has this cooperation been going?

Mr. MARTIN. We have had a formal agreement which was signed in 1973 with the Soviets for fusion. I understand this has been satisfactory, but this is really going the next stage.

We face the basic problem that these bigger and bigger machines get very, very expensive, and it is very difficult for us to burden this domestically. Therefore, collaborative research is an important factor we have to consider with the allies and also possibly the Soviets.

Senator WALLOP. To what end? It is not only an energy program, is it, or its application is not only energy; its other application is strategic?

Mr. MARTIN. You will recall inertial fusion is, but this is magnetic fusion.

Senator WALLOP. How much money do we spend on that cooperation with the U.S.S.R.?

Mr. MARTIN. I believe our total fusion budget is $350 million. This would be a very small fraction. If we go forward in the future, it might take a larger amount.

Senator WALLOP. Will you supply for the committee what it is that we spent in the cooperative program with the U.S.S.R.?

Mr. MARTIN. Yes.

Senator WALLOP. I wonder if you would venture an opinion for me as to why the human rights aspects were dropped from the discussions on expanded U.S.-U.S.S.R. cooperation in fusion?

I guess what I am asking is nobody in the White House, nobody in the Department of Energy is at all disturbed by the fact that the father of Soviet fusion research, Sakharov, that he is in prison in Gorkey.

Mr. MARTIN. I don't have an answer to that question, Senator. I can assure you that the human rights part of the United States-Soviet discussion has been very high on the President's agenda.

Senator WALLOP. It can't be that high if we will do this with them at this time when he is in virtual imprisonment. It cannot be high on our agenda. It cannot be so high as having had some symbol out of Geneva.

Mr. MARTIN. Senator, as you know, it was the Soviets who raised the possibility of fusion research in the first place. We are responding to that.

Senator WALLOP. All the more reason if it is they who want it, why isn't it we who have a price to extract for it?

Mr. MARTIN. If I may, Senator, let me say that the President's agenda with the Soviets is arms control, human rights, regional issues and bilateral exchanges, and it is in this latter category that this particular initiative falls.

Clearly we have programs in all of those various areas and we do want to make progress in all four of them. Progress in one is dependent on the others.

Senator **Wallop**. Not quite. Progress in this one is not a bit dependent on the other, is it? In this instance we made the agreement to go ahead without so much as a mention of it, let alone progress on it.

Mr. **Martin**. We have made no specific agreement to go ahead. What is agreed in Geneva is very, very broad language.

Senator **Wallop**. Can you tell us what is agreed?

Mr. **Martin**. In Geneva? It was just agreement to explore further collaborative efforts in fusion research. There was no specific mention of a project and, indeed, we are exploring what that means now with the Soviets and we are proceeding very cautiously, Senator.

Senator **Wallop**. Could we ask the administration to provide us with its opinion as to the connection of Dr. Sakharov, who is the leading Soviet expert on fusion, into this cooperative program, would you ask them to provide that for us?

Mr. **Martin**. I think that would be worthwhile providing. I don't have the answer right now.

Senator **Wallop**. I am not persuaded that it is yours to answer, and yet it is the opportunity that we have to expand. I am not criticizing you in any way except that, I am not criticizing you in any way, no exceptions, but it is important to me, and I hope it is to the committee, that we find out whether there is a connection between human rights and bilateral things or not because, if there is not, then we ought to drop the ruse of saying that there is.

If there is a connection, then clearly Sakharov has to enter into this picture or we ought not to proceed with it because I think it is outrageous for this country to be engaged in a cooperative program with the Soviet Union spending American taxpayers' money and we are not even getting the best that they have to offer in the process of a cooperative effort.

And so it is not only human rights, but a little purchase right that the American taxpayer has. We ought to have the best they have.

Mr. **Martin**. I agree with that, Senator. We will look into it.

The **Chairman** [presiding]. Thank you very much, Senator Wallop.

Do you have any further questions, Senator Ford?

Senator **Ford**. Let me ask one question. Mr. Martin, are you familiar with the natural gas legislation that was sent to the Congress by the Department?

Mr. **Martin**. Senator, I have read the press release like everybody else and have some background.

Senator **Ford**. I suggest you immerse yourself in that one this week because the Secretary will need an awful lot of help.

Mr. **Martin**. Thank you, Senator, I will.

The **Chairman**. Thank you, Senator, I will.

Senator **Wallop**. Is that a cloud on the horizon?

The CHAIRMAN. In a very serious vein, I want to note that many members of this committee and certainly this Senator from Idaho feels that there is a very strong connection between energy policy or lack thereof and national security or lack thereof, and for that reason I particularly note the coincidence of your background in preparation for this job in that field.

And I look forward to the opportunities to use your expertise, your background and your communications opportunities with others in the administration who are deeply immersed indirectly in national security to correlate the policies.

I think we have not done so and I think we are in—let me put it in a little different way. We have not done so sufficiently. And we are in great difficulty right now with declining oil prices and the world cheering the economic relief that comes with declining oil prices and everybody reluctant to say very much about what that means to energy security and the future of this country.

You are not yet on board fully in the job which you are about to undertake, but certainly you have had some opinion based upon your observation as to when the next energy crisis, or if the next energy crisis, occurs.

Would you express an opinion?

Mr. MARTIN. Thank you, Senator. It is a difficult question. I have made many projections in the past and, regrettably, they have been very wrong, but I think it is important to remember that we are not beginning from scratch.

I think that non-OPEC supply around the world is much higher than it was in 1973 when we began. Energy efficiency, I think, is here to stay. We now have the strategic petroleum reserve as the first line of defense in case of an emergency.

So we have the elements of progress over the last decade, but this is not to say the job is finished. I fear that if we don't continue the momentum behind domestic energy production, our stockbuilding and conservation, we will once again be in a situation in the 1990's or maybe beyond where a set of producers can play havoc with our economy.

I think the challenge here is to avoid that happening again. We cannot let history repeat itself. We have made progress. We have to keep up the momentum, but I assure you that I will do my best in keeping that momentum going.

Senator WALLOP. Mr. Chairman, if I might just interject an observation, a question here? I think that is an excellent answer, but there is a dimension to it that I think is obvious and, that is, that the marketplace won't do that of and by itself.

Trusting only to the marketplace will not get us to the point that you suggested that we should get ourselves to as to be able to prevent a recurrence of that very thing because of all of the commodities in the world energy alone is the one I think, what is it, 70 percent of it is produced by Government.

So there isn't a marketplace. There is, in fact, a tool for an economic policy. So we dependent upon the marketplace in a commodity that has no real market will find ourselves back where we were in a circumstance that may not be a mirror image of what 1973 was, but will still be very complex to the American consumer and the Western economies.

Mr. MARTIN. I hate to try something other than the market, though. We have also tried that, and that hasn't worked very well.

Senator WALLOP. I say of and by itself. I think it has to be a combination that the market perceives by making prudent plans.

The CHAIRMAN. A number of the things that you have referred to as putting us in a different position now than we were in a few years ago are not simply marketplace responses either.

Conservation, I happen to believe, is primarily marketplace, although certainly we have done a number of things in terms of tax policy to encourage conservation and better utilization.

Energy R&D, which is heavily funded and must continue to be funded is, again, not just a marketplace decision. It is a governmental commitment. And perhaps the largest is the strategic petroleum reserve, which is certainly not a marketplace response.

It has cost us billions of dollars to build that, and there still remains a debate within the administration and within the Congress and between the two as to what that ultimate goal ought to be, but we have seen now without any doubt, have we not, that one country can change the world's economy and certainly the energy picture, one country being Saudi Arabia, at will?

They have cut their production progressively and maintained a lower market share, and the price of oil stayed up. They got tired of that game, restored some of their production, and immediately the price plummets and the energy industry in this country reels under that blow.

And if on the day after tomorrow or the next day OPEC comes to any kind of a marginal agreement on production reductions, the price can bounce right back up again. And if the day after that or next week they decide to run it down again, they can run it down again.

Now, that isn't a free market by any test that we like to apply to the free market, unless it is the free market that we saw or could see 100 years ago in which monopolists could manipulate without any—as a matter of fact, did manipulate until the Texas Railroad Commission intervened, not a marketplace force, a governmental force, is that not correct?

Mr. MARTIN. The whole statement or the last point?

Senator FORD. I would advise you to agree with him.

The CHAIRMAN. I am free market oriented. We do, indeed, dabble in the market with some danger and, indeed, with some very notable lack of success, but just ignoring all of the rest of those facts and saying we won't be involved in interfering in the market can be disastrous to us.

It just is beyond conception the harm that will be done to this country if the current conditions continue for the indefinite future, and nobody can predict that they will or will not unless you really have some way of defining what the Saudis' decisions will be.

They are doing all right the way they are. They can do all right under a different scenario. Which one will they choose? I will tell you that whichever one they choose will have a tremendous impact upon the rest of the world, one country. And I am not anti-Saudi, but just recognizing that, as they pursue their own interests, it may not be congruent with our interests at all.

I am very much concerned with the vulnerability we have, and I appreciate what you said with respect to 1990 or beyond because there are some saying, oh, we are safe until 1995. I don't think we are safe until 1995 unless you mean 95 of the 95th day of this year or something like that.

Senator WALLOP. This is the year that we were supposed to have $65 oil. The first Department of Energy forecast put us into $65 oil this year.

The CHAIRMAN. And some people believed it and, therefore, they are in trouble today.

Senator WALLOP. Congress believed it.

The CHAIRMAN. Well, what Congress believed is less relevant.

And I only take a little bit of time today to explore that with you because if I look at proven reserves in this country, less than 30 billion barrels total, the expiration rates and finding rates being what they are today, the growing dependence upon imported oil that is absolutely predictable under the current scenario and almost any other alternative scenario, it is only a matter of degree, that within 5 or 6 years from today we will be again as dependent as we were at the worst of the 1970's, and we will have gone full cycle through an up and a down and a back up to a very dangerous security position for this country.

In the meantime we may have provoked financial insecurity, not only in other countries but also in this country. And I think it is an urgent question, although I certainly don't pretend that I have the answers, nor do I pretend that I expect you to know precisely what to do.

Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. I had the privilege of meeting the nominee and he has my support. I see that he has two children, ages 2 and 3.

And my advice to you having rattled around several positions similar to yours is to get home. Secretaries and deputies always try to be the last one to go home. There is no decisionmaking in this city after 7 o'clock that isn't reversed the next morning. So go on, go home.

The CHAIRMAN. That is the most encouraging note of the afternoon.

Senator FORD. That reminds me of the country preacher, Senator Warner.

Senator WARNER. I bet that this story takes twice as long as mine did.

Senator FORD. No; he would get up every Sunday, we were at the auditorium, we were just separated with curtains, and old Brother Barker would get up there every morning and he said, don't do as I do, do as I say, and the lesson for today is. So you pay attention to that one.

The CHAIRMAN. Are there any further questions? If not, I would note that other members of the committee may well have questions to submit in writing for a response in writing. They will have until the close of business tomorrow for the submission of such questions.

We would appreciate your prompt response.

Senator WALLOP. Mr. Chairman, I would again encourage the committee to seek the administration's posture with regards to the Sakharov participation in this research.

The CHAIRMAN. I think the record should note that the answers to the questions that you have asked will be received by the committee and made a part of the record when received.

Mr. Martin, thank you very much for your appearance, and we are very, very happy to have your family here with you this afternoon.

Mr. MARTIN. My son has fallen asleep.

The CHAIRMAN. If you are going to follow Senator Warner's advice, go home. Thank you very much.

Our next witness is David B. Waller of the District of Columbia who is the nominee to be Assistant Secretary of Energy for International Affairs and Energy Emergencies.

Right on cue is Senator Lugar. Senator Lugar, since you were at the same luncheon that I attended, I am glad that you were here on cue to be able to introduce the nominee.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM THE STATE OF INDIANA

Senator LUGAR. Thank you very much, Mr. Chairman. Senator Ford, Senator Wallop. It is a pleasure and an honor to present to this distinguished committee David B. Waller, nominee for Assistant Secretary for International Affairs and Energy Emergencies at the Department of Energy.

Mr. Waller and I both claim Denison University as our alma mater. He graduated cum laude from Denison in 1970 with a degree in economics, was named Economics Fellow and inducted into Omicron Delta Kappa Leadership Society in Omicron Delta Epsilon Economic Society at Denison.

After active duty in the Army Reserves, Mr. Waller graduated with honors from the University of Tulsa College of Law in 1973 and, again, earned praise from his peers and his professors.

He served as managing editor of the Law Review, was chosen by the faculty as the most outstanding student in the College of Law, and graduated first in his class.

Since his graduation Mr. Waller has been a public servant and a private attorney.

From 1974 until 1978 he was a trial attorney for the Department of Justice. He then worked for 3 years as an attorney with the law firm of Hogan & Hartson here in Washington, DC.

In 1981 he returned to public service as associate counsel to the President. After 1 year he was promoted to senior associate counsel and has served in that position since that time.

Mr. Chairman, David Waller has been an asset to our Government in every position in which he has served. He has been a dedicated and highly competent public servant and will undoubtedly continue to bring those qualities to the Department of Energy.

Mr. Chairman, it has been my privilege to introduce David Waller. I hope that your committee will support his nomination.

The CHAIRMAN. Thank you very much, Senator Lugar. I know that he appreciates, and we appreciate, your appearance and your statement here today.

Senator LUGAR. Thank you very much, Mr. Chairman.

[A prepared statement for the record submitted by Senator Dole follows:]

STATEMENT OF SENATOR DOLE

NOMINATION OF DAVID B. WALLER FOR POSITION OF ASSISTANT SECRETARY OF ENERGY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES

MR. DOLE. MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE ON ENERGY AND NATURAL RESOURCES, IT IS MY PLEASURE, TODAY, TO SUPPORT THE NOMINATION OF DAVID B. WALLER FOR THE POSITION OF ASSISTANT SECRETARY OF ENERGY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES. MR. WALLER WAS APPOINTED BY THE PRESIDENT AS ASSOCIATE COUNSEL, OFFICE OF COUNSEL TO THE PRESIDENT, ON MAY 1, 1981 AND ONE YEAR LATER WAS COMMISSIONED SENIOR ASSOCIATE COUNSEL TO THE PRESIDENT. THE FACT THAT MR. WALLER WAS PROMOTED WITHIN ONE YEAR OF HIS INITIAL APPOINTMENT BY THE PRESIDENT SPEAKS WELL OF HIS ABILITIES.

MR. WALLER IS A CUM LAUDE GRADUATE OF DENISON UNIVERSITY OF GRANVILLE, OHIO AND WAS ACTIVE IN THE ARMY RESERVES PROGRAM. DURING LAW SCHOOL AT THE UNIVERSITY OF TULSA, HE WAS FIRST IN HIS CLASS, SERVED AS MANAGING EDITOR OF THE LAW REVIEW, AND WAS RECOGNIZED AS THE MOST OUTSTANDING STUDENT IN THE COLLEGE OF LAW.

MR. WALLER IS AN OUTSTANDING ATTORNEY. FROM 1974 TO 1978 HE SERVED AS TRIAL ATTORNEY IN THE ATTORNEY GENERAL'S HONORS PROGRAM AT THE DEPARTMENT OF JUSTICE AND PRACTICED LAW WITH THE NOTED

WASHINGTON LAW FIRM OF HOGAN AND HARTSON FROM 1978 TO 1981. HE HAS BEEN, AND CONTINUES TO BE, ACTIVE IN BOTH THE AMERICAN BAR ASSOCIATION AND THE FEDERAL BAR ASSOCIATION.

IT IS WITH PLEASURE THAT I RECOMMEND MR. DAVID B. WALLER FOR THE POSITION OF ASSISTANT SECRETARY OF ENERGY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES. HIS BACKGROUND CERTAINLY UNDERLINES HIS CAPABILITY TO SERVE OUR GOVERNMENT WELL.

Senator **Warner**. Mr. Chairman, may I just note that I have had the opportunity to meet with the nominee and I am very impressed with his credentials, and he will have my support. Thank you.

The **Chairman**. Thank you, Senator Warner. Before proceeding with your testimony, Mr. Waller, the rules of the Committee which apply to all nominees that appear before our Committee require that they be sworn in connection with their testimony.

Would you please rise and raise your right hand.

[Whereupon, David B. Waller was duly sworn by the chairman.]

The **Chairman**. Please be seated. We also require responses to four questions of all nominees. I would like to ask these questions of you.

Will you be available to appear before this committee and other congressional committees to represent departmental positions and respond to issues of concern to the Congress?

Mr. **Waller**. I will.

The **Chairman**. Your informational statement has been submitted to the committee, but it is required that this statement be made public unless the committee decides that special circumstances justify an exception.

Do you have any objection to the publication of your informational statement?

Mr. **Waller**. I have no objection.

The **Chairman**. Are you aware of any personal holdings, investments or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed and assume the office to which you have been nominated by the President?

Mr. **Waller**. I have reviewed my financial holdings with the appropriate ethics officials, both at the Office of Government Ethics and at the Department of Energy, and I am convinced that I have neither the appearance of nor actual conflicts of interest.

The **Chairman**. Are you involved in or do you have any assets held in blind trusts?

Mr. **Waller**. I do not.

The **Chairman**. Thank you. Mr. Waller, you may proceed with your statement.

STATEMENT OF DAVID B. WALLER, NOMINEE TO BE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS AND ENERGY EMERGENCIES, DEPARTMENT OF ENERGY

Mr. **Waller**. Thank you, Mr. Chairman and members of the Committee, for this opportunity to appear before you as the President's nominee for the position of Assistant Secretary for International Affairs and Energy Emergencies.

I consider this a high honor and a tremendous opportunity, and I am truly grateful to the President and to Secretary Herrington for the confidence that they have shown in me.

I have a full statement for the record.

The **Chairman**. It will be placed in the record in full. You may summarize or hit the highlights in whatever way you would like.

Mr. **Waller**. Thank you. Let me simply summarize by saying that if confirmed I truly look forward to working with Secretary

Herrington, and I certainly echo the statements that he made to this committee and to the Congress, that is, his pledge to work together in a spirit of cooperation in carrying out the President's energy policies and the mandates Congress has established for the Department of Energy.

I believe my training and experience as summarized by Senator Lugar have given me a unique exposure to the executive branch of our Government as well as the necessary management and administrative skills to effectively discharge the responsibilities of Assistant Secretary.

I have reviewed the accomplishments and goals of the Office of International Affairs and Energy Emergencies, and I am looking forward to working with it and building on its solid foundation.

I intend to provide strong leadership to both its international affairs and its energy emergencies missions, anticipating, reacting, and responding as necessary to the evolution of world events.

In doing so I look forward to fulfilling the role of the Department of Energy in the area of international energy policy in coordination with the other appropriate agencies.

I would like to emphasize my appreciation for the importance of energy to our national security. We must continue to reduce our vulnerability to supply disruptions while continuing to meet our obligations to our allies.

Indeed, cooperation with our allies in promoting energy security has been a hallmark of this Nation's policy since the 1970's.

If confirmed I am committed to the fulfillment of our resolve to minimize our vulnerability and to urge our allies to take a similar course.

Undeniably the Department's responsibilities for ensuring that overall energy needs are met in a crisis are among its most important. We as a nation must be prepared to provide adequate supplies for defense needs and for our international commitments while minimizing the negative effect to our own economy.

We cannot and will not permit ourselves to become complacent in the current favorable oil market.

I am looking forward to the challenges and opportunities inherent in the position of Assistant Secretary for International Affairs and Energy Emergencies. I am committed to the national energy policy goal of fostering adequate and secure energy supplies at a reasonable cost.

I am also fully committed to effective emergency preparedness and to maintaining our participation in the international community, and our key role in shaping international events.

In closing I want to reiterate my strong pledge to work cooperatively with all members of this committee and to seek and to carefully consider your views.

Mr. Chairman, this concludes my formal remarks. I have submitted more detailed information for the record and at this point am willing to attempt to answer any questions you may have.

[The prepared statement of Mr. Waller follows:]

Statement of David B. Waller

Nominee for the Position of

Assistant Secretary for International Affairs
and Energy Emergencies
Department of Energy

Before the

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

April 14, 1986

I thank you for this opportunity to appear before you as the President's nominee for the position of Assistant Secretary for International Affairs and Energy Emergencies, U.S. Department of Energy. This is a high honor and tremendous opportunity, and I am truly grateful to the President and Secretary Herrington for their confidence in me.

If confirmed, I look forward to serving with the Secretary and I strongly echo the pledge he made to the Congress to work together in a spirit of cooperation in carrying out the President's energy policies and in fulfilling the mandates Congress has established for the Department of Energy.

My educational background is in the fields of economics and law. I received my undergraduate degree in economics, with honors, in 1970, from Denison University (Granville, Ohio). After a short period in the Army, I began law school at the University of Tulsa from which I graduated, first in my class, in 1973.

I came directly to Washington from law school, having been recruited for a position in the Attorney General's Honor Graduate Program. Following three years of service as a trial lawyer for the Justice Department, I moved into private law practice with the Washington, D. C. firm, Hogan & Hartson. In 1981 I was appointed by the President as Associate Counsel, Office of

Counsel to the President, and thereafter, in 1982, was commissioned by the President as Senior Associate Counsel to the President, the position I hold today. During my five years at the White House, I have had the pleasure of working on a very broad variety of matters, including work with Secretary Herrington during his service as Assistant to the President.

I believe my training and experience, as briefly outlined, have given me a unique exposure to the Executive branch, as well as the necessary management and administrative skills to effectively discharge the responsibilities of Assistant Secretary.

I have reviewed the accomplishments and goals of the office of International Affairs and Energy Emergencies, and am looking forward to working with it in building on its solid foundation. I intend to provide strong leadership for its International Affairs and Energy Emergencies' missions, anticipating, reacting and responding as necessary to the evolution of world events. In doing so, I look forward to fulfilling the role of the Department of Energy in the area of international energy policy, in coordination with the other appropriate agencies.

I would like to emphasize my appreciation of the importance of energy to our national security. We must continue to reduce our vulnerability to supply disruption while continuing to meet our obligations to our allies. Indeed, cooperation with our allies in promoting energy security has been a hallmark of this nation's policy since the 1970's. If confirmed, I am committed to the fulfillment of our resolve to minimize our vunerability through:

- Market oriented energy solutions which will lead to greater stability;
- Increased energy diversification and efficiency through long-term R&D and near and mid-term investments; and
- Maintenance of adequate government oil stocks, and the coordination of drawdowns of stocks among allies in the event of a supply disruption.

Equally important, I intend to urge our allies to follow a similar course and to:

- Avoid undue dependence on any single source, including natural gas, and
- Adhere to a policy of coordinated stock drawdowns.

Undeniably, the Department's responsibilities for ensuring that overall energy needs are met in a crisis are among its most serious. We, as a nation, must be prepared to provide adequate supplies for defense needs and for our international commitments, while minimizing negative effects to our own economy. We cannot and will not permit ourselves to become complacent in the current favorable oil market.

I am looking forward to the challenges and opportunities inherent in the position of Assistant Secretary for International Affairs and Energy Emergencies. I am committed to the national energy policy goal of fostering adequate and secure energy supplies at reasonable cost. I am also fully committed to effective emergency preparedness and to maintaining our participation in the international community and our key role in shaping international events.

In closing, I want to reiterate my pledge to work cooperatively with all members of this Committee and to seek and carefully consider your views.

Mr. Chairman, this concludes my formal remarks. I have submitted detailed information regarding my qualifications, experience and finances. I will be pleased to attempt to answer any questions you or other members of the Committee may have.

The CHAIRMAN. Thank you, very much.

Senator Wallop.

Senator WALLOP. Mr. Chairman, thank you and welcome, Mr. Waller. I note with interest your statement that is interested in pursuing the relationships on an international basis with allies and others.

And in mind with that what in your opinion is the current status of programs at the International Energy Agency?

Mr. WALLER. The International Energy Agency was, of course, created as a result of the Washington conference in 1974 when our country found itself the victim of an embargo.

At that time it served a function of establishing a cooperative agreement under which no country could be victimized by that kind of behavior.

The evolution since that time, I think at the great urging of this country, has been to urge the International Energy Agency to move into a greater reliance on stock buildups, such as we have done with our strategic petroleum reserve.

We have, of course, urged other countries to similarly create stocks and have had some success, in the case particularly of Japan and Germany. There is improvement to be made in that area.

Senator WALLOP. But basically it has been a failure, though, I mean, it has been very modest?

Mr. WALLER. I believe the Japanese have something like 120 million barrels now and the Germans something like 55 million barrels of Government-owned stocks.

Senator WALLOP. In terms of their annual need, their effort and the maximum effort outside the United States, in terms of their days of supply, they have really not come anything close to what we have?

Mr. WALLER. Certainly that is something that needs additional effort on our part. I believe the International Energy Agency has, however, embraced that concept and is continuing to serve as a forum for us to urge the development of greater stocks.

Senator WALLOP. Would you say it is functioning well?

Mr. WALLER. I have not had the opportunity to be there. I have had the opportunity to talk to Helga Steeg, the Executive Director. I look forward to participating in those meetings.

From the materials that I have reviewed, I think there is room for improvement.

[Subsequent to the hearing, Mr. Waller submitted the following:]

INTERNATIONAL ENERGY AGENCY PROGRAMS

The Department of Energy considers the IEA to be a vital forum for pursuing energy security goals. Since its founding in 1974, the IEA has worked to improve the collective energy supply security of its members by developing and testing coordinated emergency response programs for dealing with short-term supply disruptions. It has also promoted the adoption of energy policy goals and objectives focussed on the economic development of alternative energy supplies, improvements in the efficiency of energy use, and cooperative research and development programs to secure adequate supplies for the mid to long term.

I have been informed that at the July 1985 IEA Governing Board meeting at Ministerial level, energy ministers—because of a strong leadership position taken by Secretary Herrington—agreed to open energy markets, particularly with respect to oil product imports; to maintain adequate stock levels and coordinate early use of stocks in case of a crisis; to continue to implement the 1983 Ministerial conclusions on natural gas supply security; to pay continued attention to increased utilization of coal and nuclear energy; and to enhance collaboration for R&D efforts to increase common energy security and the cost effectiveness of research.

At the latest IEA Governing Board (at official level) on April 10, 1986, participating countries reconfirmed their commitment made in July 1984 to the early coordinated use of strategic stocks to replace any shortfall in supply. Additionally the Governing Board stressed the importance of maintaining adequate stock levels and noted that the current oil market situation affords an advantageous opportunity to increase stock levels. We will continue to use the IEA as a forum for pressing others to build and hold adequate levels of stratigic stocks.

I have been informed that other current major IEA initiatives include:

— AST-5 — The result of the last allocation Systems test (AST-5) was reviewed: at the April Governing Board (GB): delegates agreed on the usefulness AST-5 for training.

— Gas Study — Agreement was reached at the April Governing Board to publish the now-completed follow-up to the 1982 IEA Study on "Natural Gas Prospects." The update highlights the need for European countries to diversify sources of natural gas away from the Soviet Union.

— Country Reviews — Approval was given at the April Governing Board to publish the recently completed 1985 annual review of member country energy policies and plans.

— Conservation — The IEA's conservation policy study will be completed in late 1986-early 1987. The study will be the first major IEA work on conservation policy since 1980 and will help countries evaluate the cost-effectiveness of conservation programs.

-- Coal -- The IEA is conducting its third biennial coal review, which will address issues of current concern to the coal industry.

-- Declining Oil Prices -- The Governing Board reviewed the current world oil market situation, emphasizing the macroeconomic benefits of lower oil prices. It reaffirmed the IEA's market- based response to lower oil prices (including reducing barriers to energy trade and facilitating development of indigenous energy resources) and noted the favorable conditions for building government oil stocks.

In conclusion, the IEA has proven to be a dynamic organization that moves quickly to address major energy policy issues to assure a coordinated international policy approach. Most recently, for example, the IEA was able to provide a forum for discussing member countries' different views and it effectively encouraged a unified and restrained approach to dealing with the current oil market situation.

In the 1970's IEA programs ha~~s~~d a short-term horizon and were focussed on emergency mechanisms for IEA members to share the burden of oil supply disruptions and on complimentary policies to reduce members' dependence on imported oil. In the 1980's the focus of IEA policies shifted to mechanisms that will provide adequate and secure supplies of energy both in supply disruptions and in the mid- to long-term. We will continue to press the IEA in this direction, and we will keep IEA policies and programs under continuous review to promote efficiency and improve their effectiveness.

Senator WALLOP. I think most people would say it is just another bureaucracy and that spending the money of the countries involved in it really is not accomplishing a damn thing.

If we are going to continue to participate in it, and as anything other than the only performing partner in it, that ought to, I think, be made rather clear.

If it is just a question of us being the only performing partner, we can do that without a bureaucracy and without arrangements that obligate us to use what the American taxpayers' dollar has put aside for the benefit of those countries who refuse to use their taxpayers' currency to satisfy an equivalent amount.

I mean, we have shouldered a lot of obligations in the agreement surrounding the International Energy Agency about sharing the events of crisis and other things, and if in the shouldering of those obligations we have received really no cooperation, nothing done, it is time either to get some cooperation or to get out from under the obligation because it is just not important to us to be the only performing partner of things which require us in an emergency, and you well know how little people will remember what their role has been once an emergency strikes.

Mr. WALLER. I think, though, that given the fact that we are in an international market, where a barrel saved here benefits other countries, a barrel saved there benefits us, we have to continue to work at that kind of cooperative understanding.

Senator WALLOP. But if it is always us who believe alone that the climate of the world is dependent upon what we do, then ultimately it is entirely dependent upon what the American taxpayer shoulders.

If you can't go at that with any tougher attitude than that, then I fear that the rest of the career of the International Energy Agency under the Reagan administration will be just like it was which preceded the Reagan administration, a bureaucracy on a decline with the obligations of America being the only obligations taken seriously.

It is exactly my point, that if it is our barrels that are saved, or saved for the world market, then we are in effect subsidizing the comforts, the creature comforts of the governments of Western Europe because they are spending the money which they ought to be spending on a similar kind of effort on other domestic programs, and good old Uncle Sucker is once again proving that we simply don't have it within us to force cooperation when it is willingly undertaken.

Mr. WALLER. I think the administration is in full agreement with what you have just said, Senator, that it is time for these other countries to begin to increase their stocks. That is one of the highest priorities that we have in our efforts with the International Energy Agency.

I can assure you it will have my strong support.

Senator WALLOP. Are we then prepared to walk away from it if we don't succeed in it?

Mr. WALLER. I don't know.

Senator WALLOP. Because if we are not, then we have no leverage. I mean, there is no reason for anybody to engage in serious negotiations unless there is something in it for them.

Mr. **Waller**. I think we have made some progress, and clearly, as you point out correctly, there is room for considerably more.

Senator **Wallop**. How much does it cost DOE to participate in that?

Mr. **Waller**. I don't know. I would be glad to supply that information for the record.[1]

Senator **Wallop**. As well, when you supply that for the record, would you supply an opinion as to whether or not it is worth it?

Mr. **Waller**. I have said, Senator, that I do believe it is worth it.

Senator **Wallop**. At any price?

Mr. **Waller**. Perhaps not at any price, but consider the alternative of no international organization where we can have discussions and urge our allies to take defensive measures in which we believe.

Senator **Wallop**. Why don't we have them urge us for a change?

Mr. **Waller**. Hopefully we will get to that point by our continued efforts.

Senator **Wallop**. Then would you give me an opinion as to whether or not it is worth it giving what we expend on it, because surely there must be someplace in there where it is no longer worth it to us?

Mr. **Waller**. Yes; I would be glad to.

[The information follows:]

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[1] See previous submittal from Mr. Waller.

U.S. PARTICIPATION IN THE INTERNATIONAL ENERGY AGENCY

It is my understanding that the U.S. obligation to the Organization for Economic Cooperation and Development (OECD) and to its related organizations, including the IEA, was approved by OMB for FY-87 at $19.90 million. The IEA budget represents less than 10% of the total OECD budget. Although the U.S. does not earmark its OECD contribution by agency, the U.S. is pledged to provide 25% of the total IEA budget, which for 1986 equaled $10.9 million (at FF7.6=$1).

We are in the IEA because we recognize the interests we have in common with other IEA members on security of energy supply and other energy issues that could potentially affect our economic prosperity and national security. Individual nations, in developing their own energy policy plans, goals, and objectives, need to take into account the impact they might have on each other's energy economies and on world energy markets as a whole.

The IEA serves as a unique forum for the US to promote international energy policy goals to increase the common energy security of all IEA countries. My predecessors have used the IEA as a medium to convince other IEA countries to adopt plans and policies supportive of a free market approach to dealing with long- and short-term energy issues. The IEA, in turn, serves to enhance the domestic energy objectives of the US and other members through special studies and annual country policy reviews that focus on eliminating subsidies and price controls, removing barriers to trade, exploiting the use of conservation, coal and nuclear energy—the three most important mid-term energy resources identified in the fifth US National Energy Policy Plan—and pursuing well-focussed, efficient and stable energy research and development programs.

The US would be willing to withdraw from its obligations to the IEA/OECD if that organization were to no longer serve the vital energy and economic security interests of the United States. I think the record of the IEA, however, points in quite the opposite direction: it has proved an effective organization—aimed at achieving results, not merely sponsoring debate—and has shown itself to be dynamic and responsive, moving quickly to focus on changes in the international energy environment as they occur.

There is still room for improvement of course. We continue to work to reduce the U.S. burden of holding high oil stocks relative to other countries, to focus on the effectiveness of adequate stocks and a coordinated plan for their drawdown in lieu of the emergency sharing system, and to avoid increases in dependence on Soviet gas as countries reduce oil imports.

Senator Wallop. I think unless you have that judgment in hand, that judgment will never be appropriate, unless there is some place in there where it is, you know, it is just clearly no longer in our interest, then there will be no set of circumstances under which we will ultimately make a judgment, so it seems to me that this good Government would indicate that at some moment at some place at some time in history that just is no longer worth it for us, so when we know what that point is we can at least articulate it.

Thank you, Mr. Chairman.

The Chairman. Senator Wallop, I think you express some of the concerns that other members of this committee have from time to time expressed.

Certainly this committee and the Congress as a whole are going to take a very close look at our continuing participation in arrangements which were supposed to have achieved goals which have not been achieved.

This is another example of international security arrangements in which the United States pays a disproportionate price. And many of us feel that if we are paying a disproportionate price here, that we pay more and commit more through the agreement than, perhaps, we get from the agreement.

If that conviction is supported by fact or not rebutted by facts, then there may well be a congressional effort to disassociate ourselves from that agreement and that effort, but I don't want this time to pass without noting with pleasure the decision that was reached last Friday to go forward with the construction of the strategic petroleum reserve facilities, the decision to abandon the double deferral on the construction of Big Hill and to commit the money for the construction of that facility, and to commit or release money for commitment at Bayou Choctaw are first signs, I think, of the results of the review which Secretary Herrington announced before this committee on March 25.

It was time for us to take another look at SPR and the administration's position with respect to it, in light of the changes in the international energy markets.

It has been suggested by some it was because of the challenge of the double deferral, the legal challenge, but regardless of what the reason may have been, I welcome the decision.

I hope there may well be a further discussion and, perhaps, further change or development of position with respect to releasing some of the already appropriated monies for buying some oil on this market at this time.

Certainly it is not going to, in my judgment, have any impact upon prices of oil available for purchase. It is simply a way of getting more barrels for the buck. I think this is a time for purchasers to purchase rather than waiting for the price to go up so we can buy at a higher price, which is sometimes the way we react.

Can you tell me what is contemplated with AST-5?

Mr. Waller. The AST-5 basically, from the materials I have seen, Senator, is viewed as having been a reasonably successful effort primarily from the standpoint of providing training both to the representatives of the member governments, to the IEA secretariat itself, and to the private companies that are engaged in the different efforts, the fair sharing efforts.

The assessment report of AST–5 concludes, in terms of what additional efforts can be made, that perhaps work can be done in the area of providing better communications among member countries with the IEA in terms of having complementary computer facilities and that sort of thing.

Those, I believe, were the main conclusions.

The **Chairman**. Does it point to the direction of positive changes in operations and capabilities?

Mr. **Waller**. I think it comes on the heels, of course, of the rather contentious AST–4 exercise. And my understanding is that there was a feeling that there is just a far better spirit of cooperation among the countries. There was much better preparation that was done for AST–5 and all benefited from that preparation.

The **Chairman**. I don't think we want to spend all of our time and effort in continuing exercises, but are you satisfied that we have had enough exercises already or should there be more?

Mr. **Waller**. I do not believe that there is a planned AST–6 at this point. I, frankly, think a decision has not been made one way or the other on that at this time.

The **Chairman**. My concern, of course, relates to whether or not we are really capable of reacting appropriately in the time of an emergency.

I am sure you are aware of the fact that I and this committee and this Congress all supported in past legislation, which was vetoed by the President, the establishment of emergency powers to be held in standby so that they would be available in the event of an emergency.

The administration stalwartly contended it wasn't necessary. They had all of the authority they needed. Then they started to run through these exercises and found, indeed, they didn't have all of the authority they needed.

It seems to me that both AST–4, well, particularly AST–4 surfaced the fact that the authorities that were necessary simply are not there and that AST–5 hasn't really removed all of that uncertainty about whether we have the mechanisms, the manpower and the authority necessary to meet an emergency.

Are you satisfied at this time that we do have enough authority and enough manpower and sufficient mechanisms to meet the kind of emergency we saw in 1974?

Mr. **Waller**. Senator, I can only assure you that as the Assistant Secretary who will be charged with emergency preparedness. I will not rest until I am convinced that we do have the necessary authority and the necessary protection built in.

The **Chairman**. It is quite easy to say, well, in the event of emergency we will all work together in the spirit of cooperation, but if, as a matter of fact, that cooperation evaporates under the pressures of a situation in which real advantage or disadvantage can hurt or hinder major elements of a society, whether it is ours or somebody else's, then that emergency response is simply not sufficient.

If we rely upon executive manpower and we look to oil companies to do it, but antitrust legislation says they can't or they won't, then we don't have the manpower.

In spite of the sometimes too casual assertion that, indeed, all of those mechanisms and all of those personnel and all of that expertise is available to us, there is serious doubt whether that is true.

I don't expect you to have the answers to that today, but maybe next week we will expect you to have the answers to that.

Mr. **Waller**. Can I have a little more time than that?

The **Chairman**. You may have some more time than that because I understand that at least some persons are not going to be willing to allow us to expedite your nomination until they have answers to some questions that deal with some of these issues, so you may have some time even before you get on board to review these questions and try to assure others that, indeed, the concerns of Senator Wallop and others are fully met.

[The information follows:]

ADEQUACY OF AUTHORITIES FOR DEALING WITH ENERGY EMERGENCIES

I have been informed that the Justice Department, in consultation with the Department of Energy, prepared a memorandum of law describing the legal authorities available to the President to respond to an energy supply disruption. This memorandum, dated November 15, 1982, was prepared in response to a requirement contained in the Energy Emergency Preparedness Act of 1982 and explains in detail how the available legal authorities could be used to respond to an energy crisis.

If I am confirmed as Assistant Secretary, I plan to carefully review these authorities to ensure that we are adequately prepared to respond to energy emergencies.

The **Chairman**. Senator Domenici.

Senator **Domenici**. See, I told you when you were in my office that the chairman was going to ask you about that, didn't I?

Mr. **Waller**. Yes, you did, Senator.

Senator **Domenici**. I didn't know that I would get here this late and the question would still have to be answered.

The **Chairman**. I was waiting for you to come in.

Senator **Domenici**. I thought he would ask it first, but he deferred.

Let me ask you a question about SPR. I understand you don't manage it. You are part of the policymaking.

Do you know if we needed to get SPR out of the ground rather quickly and get it in some distributable mode whether we can do that?

Mr. **Waller**. I don't know firsthand, Senator. I have read figures about the draw down capabilities of SPR. The figures that I have seen are convincing that, indeed, we could draw down SPR at a rapid enough rate to achieve the purposes of SPR; namely, to supply the energy that has been otherwise cut off.

I have also seen, however, questions raised in some of the trade publications, and so forth, about whether that capability truly is there.

Senator **Domenici**. Has the chairman already indicated that you are going to answer some questions before he reports out your nomination?

The **Chairman**. There will be the opportunity for individuals to submit questions for the record.

Senator **Domenici**. Which you will wait on for answers?

The **Chairman**. I think necessarily we will have to wait on at least some portions of them because I have been put on notice already by some members of the committee that they intend to have those answers before they will be willing to move forward.

Senator **Domenici**. Then if it is not going to unduly delay things, would you answer that question in some detail with the full evidence before the Department as to what the plan would be to get the oil out of the ground and how fast and what we don't have that could get it out of the ground?

And my second question is what is the present plan to distribute it? Just to have it out of the ground in certain quantities is not going to solve any problem in the country if there is a need that it gets someplace, and what the current policies of the administration pursuant to the statutes are to accomplish that, would you do that, please?

Mr. **Waller**. Yes, I will, Senator.

[The information follows:]

CURRENT STRATEGIC PETROLEUM RESERVE DRAWDOWN RATES

I am informed that the currently planned inventory of 502 million barrels can be drawn down (i.e., withdrawn from storage caverns) at a maximum rate of 3.3 million barrels per day for a period of 90 days. After this period the rate diminishes over time as the usable inventory in individual caverns and sites is depleted.

STRATEGIC PETROLEUM RESERVE DISTRIBUTION CAPABILITIES

The Reserve has the capability to distribute SPR oil into the commerical transportation system at a rate of 2.3 million barrels per day for 90 days. The Administration's FY 1987 budget proposes enhancements to SPR distribution capabilities to permit achievement of a 3.1 million barrels per day initial capability. SPR oil will be distributed by competitive sale whereby oil would be delivered to purchasers at SPR terminals for subsequent distribution via the commercial transportation system. In addition, I understand that a December 12, 1984, study by the National Petroleum Council concludes that sufficient domestic capacity will be available to refine SPR crude oil through 1990.

I am informed that the Department will continue to assess the availability of this capacity and is monitoring longer-term trends in petroleum distribution systems to ensure continued readiness of the SPR to perform its mission.

PLANS TO DISTRIBUTE OIL FROM THE STRATEGIC PETROLEUM RESERVE

Current policy on SPR drawdown and distribution is contained in the Fifth National Energy Policy Plan, which states: "The Administration announced last year (1984) its policy of early sale of SPR oil in large volumes in the event of a supply disruption. This policy would substantially reduce the hoarding and panic buying that helped create shortages and drive up prices during the past two oil disruptions."

The policies and procedures for the drawdown, sale, and distribution of SPR oil are contained in the SPR Drawdown (Distribution) Plan, SPR Plan Amendment No. 4. The SPR Plan provides that the basic method of distributing SPR oil will be price competitive sale, with awards going to the highest bidders. The sale would be open to all interested buyers, who will be required to sign a standard sales agreement as a condition for bidding.

Because of the interdependence of U.S. security with that of the rest of the free world, it is important that any drawdown of the SPR be coordinated with our allies in the International Energy Agency (IEA). A July 1984 IEA Governing Board decision recognizes the value of using stocks early in a significant supply disruption and establishes a means by which such drawdown can be implemented on a coordinated basis.

Senator **Domenici**. I wouldn't expect you to necessarily answer this question, but would you think it would be good policy for this country at this particular time in history to put on a 5- or 10-cent gasoline tax and buy oil to put in the strategic petroleum reserve when oil is this cheap?

Mr. **Waller**. Senator, I am here as the nominee of a President who has, of course, said that he disfavors any sort of additional taxes, and I would not want to deviate from his view on that.

Senator **Domenici**. I understand. Is this a good time to buy oil for the strategic petroleum reserve in your opinion? Strike the tax part. Maybe we can go in debt some more and buy it. Is it a good time to buy oil?

Mr. **Waller**. Certainly in the favorable market that we have today it is an attractive time to buy additional stocks for the strategic petroleum reserve.

I think Secretary Herrington has acknowledged that fact in indicating that he intends to look very closely at whether we should increase the current fill rate of what I believe is somewhere between 35,000 and 50,000 barrels a day.

We have, I should say the administration has had the advantage of some of the lower priced oil in that some of the recent purchases have been from Mexico in the range of $12 a barrel.

Senator **Domenici**. Let me change over a minute to Canada versus the United States. I assume in your capacity as the Assistant Secretary for International Affairs that you would have an interest in the proposal that the United States and Canada enter into bilateral negotiations with reference to trade matters, would that be an area of interest to you?

Mr. **Waller**. Trade with respect to energy?

Senator **Domenici**. Yes.

Mr. **Waller**. Yes, it would.

Senator **Domenici**. Do you know whether the Department is in contact with the Trade Ambassador for the United States with reference to energy issues as it relates to the Canadian-American free trade negotiations?

Mr. **Waller**. The only contact I am aware of with the USTR with respect to Canada, I believe, has to do with uranium imports.

Senator **Domenici**. Is that within your jurisdiction?

Mr. **Waller**. Yes, it is.

Senator **Domenici**. I would ask you if you would familiarize yourself not only with the uranium issue as it pertains to the bilateral talks. I am firmly of the opinion that Canada already subsidizes uranium by the way they handled the mandate that their quasi-government utilities purchased uranium to the extent of 30 years of their need from them.

It seems to me that right up front that is a subsidy of inordinate proportions.

Would you check into that and, in answering the questions, the previous one, answer with reference to what you find with reference to whether or not there is any preferential treatment by the Canadians with reference to your Canadian domestic uranium.

Mr. **Waller**. I will, Senator.

[The information follows:]

CANADIAN URANIUM INDUSTRY

I understand that there have been allegations by U.S. utilities over the past several years that the domestic mining industry in Canada is being subsidized by the government. In each case the accusing parties were asked to provide evidence to substantiate their allegations. To the best of my knowledge, no proof was ever provided. Moreover, under U.S. trade laws, if there appear to be improprieties, applications of protest or requests for relief may be filed by aggrieved parties.

I will, of course, continue to follow this matter as I familiarize myself with the myriad of issues in the area of our bilateral uranium trade. I am aware of your concerns and want to be responsive to them.

Senator DOMENICI. With reference to natural gas, are you aware that there is a very major problem arising between the Canadians and the Americans with reference to Canadian natural gas going to the Pacific west coast?

Mr. WALLER. Generally, yes.

Senator DOMENICI. I would ask that you familiarize yourself with the most recent trends that have occurred and the most recent contracts that the Canadians have entered into with west coast natural gas purchasers.

Give us your best assessment of what is going on, why are they now getting into that field in a rather large way, and see if there is anything that you can find within the Department information and from your Canadian sources as to whether there is some kind of favored treatment occurring to some of the subsidiaries that transfer natural gas in Canada that are owned by American natural gas distributors on the west coast, could you do that?

Mr. WALLER. Yes; I will, Senator.

[The information follows:]

CANADIAN NATURAL GAS

I have been informed that over the last two years there has been a significant change in our bilateral natural gas trade with Canada. We have experienced a movement from a rigidly structured and regulated market to one which encourages and facilitates free negotiation of gas trade arrangements between private parties. In 1984 the Canadian government concluded that in order to regain some of the U.S. market share lost since 1980, policy changes had to be adopted which would make Canadian gas more competitive in U.S. markets. These new policies were adopted and have resulted in Canadian gas playing a greater role in meeting U.S. demand. Canadian gas sales in the U.S. have recovered to their historical level of approximately 5% of total U.S. consumption. The average price of Canadian gas has dropped over 40 percent since the beginning of the market responsive policy and U.S. customers continue to have access to a less expensive, market responsive supply of gas.

In the case of the U.S. West Coast market specifically, Canadian gas has been a significant source of supply for many years. This is due in large part to the fact that U.S. domestic suppliers are unable to meet the full needs of this market either for supply availability or transportation capacity reasons. Canada provides a stable source of supply and offers long-term contracts to U.S. buyers. The current Canadian contracts have been in effect for many years and all of them have been renegotiated to reflect current market conditions.

Canadian gas currently provides about 40 percent of Pacific Gas and Electric (PG&E) supply, 6 percent of Southern California Gas Company supply and about 40 percent of Northwest Pipeline Companies. It is my understanding that no evidence exists to indicate that Canada is subsidizing Canadian company participation in the U.S. gas market.

With regard to preferential treatment being accorded to Canadian companies, I assume you may be referring to the situation in California concerning Pacific Gas and Electric (PG&E) and Southern California Gas and the relationship with their pipeline suppliers. Since both of these utilities are intrastate distributors they are under the jurisdiction of the California Public Utility Commission (CPUC). The CPUC's major concern, I believe, is to provide the least cost gas for California consumers. In keeping with that goal, the CPUC looks at distribution companies and their suppliers in order to determine the policy the distribution companies should follow in deciding on the sequencing of gas purchases from different suppliers. They consider, among other factors, the age and remaining capital investments of pipelines serving various customers. In the case of PG&E and Southern California Gas, the CPUC developed two different methodologies for their sequencing policies. I understand the CPUC is proposing to change its policies in order to allow more flexibility in the system. Although the Department of Energy does not have a direct role in this issue, we are aware of your concerns and will continue to monitor the situation.

Senator DOMENICI. I won't hold you to a conclusive set of facts on that, it is very hard to find them, but I would ask if you could investigate them and answer them for us as to what you find.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I would invite you to look at, in addition to the uranium and natural gas, the relations with Canada and the United States and administration policy in the field of electrical energy.

The Ontario Hydro is somewhat different than B.C. Hydro, but I think by the time we finish free trade negotiations with the Canadian Government and have opened our border with absolutely no restrictions, and we have put Bonneville and the marketing administrations up for sale and B.C. Hydro buys them all, we will have quite a radically different situation in the electrical energy industry in this country.

I am not suggesting that that is the end result of everything that is happening because I suspect those of us in the Congress would intervene before that happened.

Senator DOMENICI. You don't think we will let them buy Bonneville?

The CHAIRMAN. We haven't yet said they can't. The administration has only a concept, not yet a bill. They have an idea, not yet a proposal, with respect to sales. So I have to assume that those things are possible under the administration position.

And if they are possible, there is somebody thinking about them. And I assure you I am thinking about them in a much different sense than B.C. Hydro must be, but I mention that because we do have that kind of tension along the longest unguarded and most friendly border in the world, which is the result of uncertainty about where the administration is coming from and what is going to happen.

I see in the Northeastern United States a welcoming of Canadian electricity as an alternative to the construction of new plants in this country. And we are going to see a tremendous amount of foreign investment in Canada on the other side of the line to provide electrical energy to the Northeastern United States, and the United States consumers will be paying taxes to Canadian provinces, which is probably good for them and may even be equally good for us. But the situation in the West is radically different from that, where they have massive surpluses at the same time that we have massive surpluses, and they contest for markets.

Within the United States is a real contest with many millions of dollars at stake and real political consequences to how the administration handles that particular conflict.

That isn't your primary charge, nor would I suggest that it is, but it is a matter of great concern to this Senator and I know to others as well.

I appreciate your asking the questions with respect to the SPR drawdown test because I hope you will provide, with some detail, what that test showed and what conclusions we can draw from that test.

[Subsequent to the hearing Mr. Waller submitted the following:]

AVAILABILITY OF PIPELINES AND REFINERIES TO TRANSPORT AND REFINE STRATEGIC PETROLEUM RESERVE OIL

The Reserve has the capability to distribute SPR oil into the commercial transportation system at a rate of 2.3 million barrels per day for 90 days. The Administration's FY 1987 budget proposes enhancements to SPR distribution capabilities to permit achievement of a 3.1 million barrels per day initial capability. SPR oil will be distributed by competitive sale whereby oil would be delivered to purchasers at SPR terminals for subsequent distribution via the commercial transportation system. In addition, I understand that a December 12, 1984, study by the National Petroleum Council concludes that sufficient domestic capacity will be available to refine SPR crude oil through 1990.

I am informed that the Department will continue to assess the availability of this capacity and is monitoring longer-term trends in petroleum distribution systems to ensure continued readiness of the SPR to perform its mission.

The CHAIRMAN. I should have responded a little differently perhaps to your question, Senator Domenici, about would there be time to answer? We always wait until there are responses to written questions. And my only reason for suggesting that there was perhaps in this instance more time is to invite you to take the time to provide a little bit more detail. I don't think taking the time is going to delay things.

And I hope you will do that with some detail and some care because many of us are concerned about changing patterns. And you might even want in that context to look at future changes, if you are not prepared to do that now, to lay the groundwork for making such an analysis in the future.

Will pipelines remain where they are? Will refineries remain open in the same kind of grid that we have today?

It doesn't do you much good to have a strategic petroleum reserve if you don't have pipelines. It doesn't do you much good to have pipelines if you don't have refineries. And we need to continue not only to look at where we have been and where we are, but also where we are going.

I would invite you to take that kind of look. And if, indeed, you think it is inconclusive and you need to look further, tell us that too.

Are there further questions?

[Subsequent to the hearing Mr. Waller submitted the following:]

RESULTS OF THE STRATEGIC PETROLEUM RESERVE TEST SALE

I have been advised that the recent test sale of SPR oil demonstrated conclusively that SPR oil can successfully be withdrawn from the storage caverns and delivered to purchasers for subsequent distribution by available transportation modes. The duration and magnitude of crude drawdown and distribution in this particular test were limited, but these test results confirmed the findings of other operational testing exercises concerning the readiness of the SPR for deployment.

Senator DOMENICI. Mr. Chairman, could I just make a final observation?

The CHAIRMAN. Certainly.

Senator DOMENICI. Let me just say for the record I was not able to be here when you interrogated the nominee for Deputy Secretary of Energy, William Martin, Bill Martin.

I want to say for the record that I know him and know him very well. I interviewed him last week to my satisfaction. I also had an opportunity to speak with the nominee that sits before us, Mr. Waller.

And let me just say this to you, I would have said it to Mr. Martin, I commend the Secretary, first of all, for Mr. Martin because I believe the Secretary is putting together in his Department a group of people who will help him that are energetic, very bright, very dedicated, and I am convinced that they are going to help him try to build this Department into what it can be.

I say the same for you, obviously. You have less experience than he does in a direct way, but I have no doubt in my mind that you are going to make a major contribution based upon your past efforts, but I would say what I would have said to him if he were here, that I do hope that in both of your statements when you say you want to work with the Congress and with this committee, that you really mean that.

You have no better friend in my opinion, from the standpoint of energy policies, than in this chairman.

The CHAIRMAN. I might say to the Senator that although Mr. Martin is not before the committee now he is present in the hearing room where he is hearing you.

Senator DOMENICI. There he is. You didn't have to get so far back there but, in any event, I do hope that it is not just rhetoric when you say you want to work with us. I say that to both William, Bill, and you.

I think it is absolutely important in the next few years that you work with this committee and particularly this chairman. I don't see any reason why we should be at loggerheads, perhaps some on fiscal policy. Clearly we have some programs and projects we would like more money for, but you won't find any helpers around this place that are more concerned in doing things right, that believe more in the free market system, but have a pretty good history of acquiring a little wisdom along with it, and so I hope that is sincere on your part.

We don't need any confrontations, in my opinion, you don't nor does the Secretary, with those who are trying to help. So I urge that you do that.

I don't know how far that extends in this committee. I just spoke of certain select people but, in any event, it is probably a rather compelling majority, wouldn't you think, Mr. Chairman?

The CHAIRMAN. I believe so.

Senator DOMENICI. Thank you very much.

The CHAIRMAN. Thank you, Senator. All members of the committee will have until the close of business on tomorrow for the submission of questions in writing for response in writing to the record.

Thank you very much for your testimony here today, and good luck to you as you go through.

The committee stands adjourned.

[Whereupon, at 3:57 p.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Biographies and Informational Statements of the Nominees

WILLIAM F. MARTIN

William F. Martin is Executive Secretary of the National Security Council and Special Assistant to the President for National Security Affairs. The National Security Council advises the President on the integration of domestic, foreign and military policies relating to national security. Mr. Martin's role is to direct the NSC staff on behalf of the President and his assistant for National Security Affairs, Robert C. McFarlane.

Mr. Martin was born and raised in Tulsa, Oklahoma. In 1968, he was Tulsa high school tennis champion. He received a BS degree in economics from the Wharton School of the University of Pennsylvania and an MS degree from MIT where he specialized in natural resource issues in the Sloan School of Management. While at MIT he was a research assistant on a project to develop educational materials for environmental studies.

From 1974 - 1977 Mr. Martin was program officer of the Workshop on Alternative Energy Strategies, MIT Energy Laboratory. The Workshop was headed by the late Carroll Wilson of MIT and included senior participants from sixteen countries. Mr. Martin was co-author of the final report and editor, Energy Supply to the Year 2000 (MIT Press, 1977). He also directed a joint MIT-World Bank study on energy prospects for developing countries.

In 1977, Mr. Martin joined the staff of the International Energy Agency of the OECD in Paris responsible for energy assessments of OPEC and other developing nations. He directed the IEA Workshop on Energy Statistics for Developing Countries which resulted in publication of Energy Statistics for Developing Countries (Volumes 1 and 2), OECD publications (1980) In 1979 he was promoted to Special Assistant to the Executive Director, Ulf Lantzke. As part of his responsibilities, Mr. Martin was overall coordinator for five IEA Ministerial Meetings from 1979 - 1981.

Mr. Martin joined the Department of State in 1981 as Special Assistant to the Under Secretary Economic Affairs, Myer Rashish. His duties included analysis of the Soviet-West European natural gas pipeline, preparation of a U.S. position paper on international energy security policy for the Versailles Economic Summit and analysis of East-West economic credits.

In 1982, Mr. Martin joined the National Security Council as an energy and East-West economic specialist. As Director of the International Economic Affairs and NSC's energy expert, Mr. Martin has had the opportunity to prepare reports and to brief the President on such issues as international energy emergency preparedness in light of the Iran-Iraq hostilities, U.S.-Japan energy trade, European energy security and the Siberian gas pipeline. In addition to energy responsibilities, Mr. Martin chaired an interagency group on Central American economic development and handled a variety of secretariat duties as rapporteur of the Cabinet level Senior Interagency Group on International Economic Policy.

In 1983, Mr. Martin was promoted to Special Assistant to the President for National Security Affairs. In this capacity he headed substantive preparations for President Reagan's overseas travel and served as overall policy coordinator for the NSC.

William Martin is married to the former Jill Wheaton, they have two children and reside in Washington, D.C.

UNITED STATES SENATE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: MARTIN (LAST) WILLIAM (FIRST) FLYNN (OTHER)

Position to which nominated: Deputy Secretary of Energy **Date of nomination:** February 21, 1986

Date of birth: 4 (DAY) 10 (MONTH) 1950 (YEAR) **Place of birth:** Tulsa, Oklahoma

Marital status: Married **Full name of spouse:** Jill Wheaton Martin

Name and ages of children Nicholas (3) Christopher (2)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Edison High School Tulsa, Oklahoma	1964-68		
Univ. of Pennsylvania	1968-72	B.S.	1972
M.I.T.	1972-74	M.S.	1974

Employment record: **List below all positions held since college, including the title and description of job, name of employer, location, and dates.**

1985	Executive Secretary, National Security Council and Special Assistant to the President for National Security Affairs.
1983-85	Deputy Executive Secretary and Special Assistant to the President for National Security Affairs (Coordination), National Security Council.
1982-83	Director, International Economic Affairs, National Security Council (responsible for international energy policy).
1981-82	Special Assistant to the Under Secretary for Economic Affairs, Department of State (responsible for international energy policy and East-West economics).

Employment record—Continued

1979-81 Special Assistant to the Executive Director, International Energy Agency, Paris, France.

1977-79 Energy Economist, International Energy Agency.

1974-77 Program Officer, Workshop on Alternative Energy Strategies, M.I.T. Energy Laboratory, Cambridge, Mass.

Military service: Describe any military service not listed above, including dates, rank, and type of discharge.

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Dates	Office held (if any)
Council on Foreign Relations	1984-	
Carroll L. Wilson Memorial Awards Committee, MIT	1985-	
SAE Social Fraternity	1968-	

Published writings: **List the titles, publishers and dates of any books, articles, or reports you have written.**

Energy for the Third World, Technology Review, June 1978.

Energy: Global Prospects, 1985-2000 (co-author), McGraw-Hill, 1977.

Energy Supply to the Year 2000 (editor), MIT Press, 1977
Resource Materials for Environmental Management and Education (co-author), MIT Press, 1979.

Our Society in 1985: Business May Not Like it (with George Lodge), Harvard Business Review (Nov., 1975).

Balancing International Competition and Cooperation, Outlook, Spring, 1980.

Third World Energy Statistics: Problems of Collection and Interpretation, Energy Policy, June 1980.

Future employment relationships:

1. **Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?**

Not applicable - currently employed by The Federal Government.

2. **Do you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization?**

No

3. **Has a commitment for employment after you leave government been made to you by anyone? Have you made any such commitment?**

No

4. **(a) If you have been appointed for a fixed term, do you expect to serve the full term?**

Future employment relationships—Continued

(b) If you have been appointed for an indefinite term, are there any known limitations on your willingness or ability to serve for the foreseeable future?

No

Financial statement:

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF 278).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers. Amounts should be indicated by the categories established for reporting income on Form SF 278, Schedule A.

None

3. Are you currently a party to any legal action? If so, describe its nature and status.

No

4. Have you ever declared bankruptcy? If so, describe the circumstances.

No

5. Have you filed a Federal income tax return for each of the last 10 years? If not, please explain.

Yes

6. Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit?

No

Potential conflicts of interest:

1. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I have been advised by the Office of the General Counsel of the DOE that if confirmed I must instruct the trustee of the William F. Martin Blind trust that producing oil and gas mineral interest which I placed in the trust at its inception must be divested before I assume the position of Deputy Secretary. I have informed the trustee of this requirement and the trustee is in the process of disposing of such assets.

2. Describe any business relationship, dealing or financial transaction (other than taxpaying) that you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, which might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

3. Describe any lobbying activity which you have performed during the past 10 years with respect to legislative or administrative actions at the Federal, State or local level.

None

4. Have you been informed of the conflict of interest laws and regulations applicable to the position to which you have been nominated?

Yes

Potential conflicts of interest—Continued

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to this form and the attachments thereto. Attach a statement of the appropriate agency ethics official explaining the applicable laws or regulations, any potential conflicts, and the action required to resolve such conflicts.

Please see answers to questions 1 and 6.

6. Explain how you will resolve any potential conflicts of interest that may arise in the future if you are confirmed for the position for which you have been nominated.

I intend to comply with all applicable conflict of interest laws and regulations and to abide by opions of the Office of General Counsel - DOE with respect to conflict of interest questions.

Public disclosure: Do you have any objections to this form and the attachments thereto being made public?

No

District of
Columbia

AFFIDAVIT

I, WILLIAM F. MARTIN being duly sworn, hereby state that I have read the foregoing Statement for Completion by Presidential Nominees, including all attachments thereto, and that the information provided therein is, to the best of my knowledge and belief, current, accurate, and complete.

William F Martin
(Signature of Nominee)

Subscribed and sworn to before me this 25th day of March, 1986

Chiquita R.
Notary Public

My Commission Expires 7/31/89

Form approved by the Committee February 5, 1985.

U.S. GOVERNMENT PRINTING OFFICE : 1986—43-098

United States of America
**Office of
Government Ethics**

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

MAR 3 1985

SENATE COMMITTEE ON
ENERGY AND NATURAL RESOURCES
RECEIVED
MAR 04 1986
WASHINGTON, D.C. 20510

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by William F. Martin, who has been nominated by President Reagan for the position of Deputy Secretary of Energy.

We have reviewed the report and have also obtained advice from the Department of Energy concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Martin is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H Mart

David H. Martin
Director

Enclosure

DOE F 1325.8
(8-84)

United States Government Department of Energy

memorandum

DATE: FEB 27 1986

REPLY TO ATTN OF: GC-44

SUBJECT: Statement of Agency Ethics Official for Senate Committee

TO: William F. Martin

This memorandum is intended to serve as a statement from the designated agency ethics official for this Department, as required by question 5, page 6, of the Statement for Completion by Presidential Nominees that you are submitting to the United States Senate Committee on Energy and Natural Resources in connection with your nomination for the position of Deputy Secretary. I have reviewed your Standard Form 278 (Financial Disclosure Report) dated December 9, 1985, and your Form DOE-460 (Report on Prior Employment) dated February 19, 1986, and have certified that the information contained therein discloses no conflict of interest under applicable laws and regulation. 1/

As a supervisory employee of the Department, you are prohibited by section 602(a) of the DOE Organization Act (Pub. L. 95-91) from knowingly receiving compensation from, holding any official relation with, or having any pecuniary interest in any energy concern. The term "energy concern" is defined in section 601(b) of the Act as any entity "significantly engaged in the business" of any of a variety of activities related to energy production, distribution, sale, or research and development, or any entity significantly engaged in such research and development pursuant to a DOE-funded program irrespective of whether it otherwise engages in such business. The term also includes any entity holding an interest in property from which an energy resource is commercially produced or obtained.

In Schedule A of your Standard Form 278, you listed a financial interest in the William F. Martin Blind Trust. I understand that this trust is a qualified blind trust under the Ethics in Government Act (Pub. L. 95-521, as amended), and, therefore, those of its assets that have not been disclosed to you are not considered to be your financial interests for conflict of interest purposes. However, assets you placed in the trust at

---

1/ Section 201(b) of the Ethics in Government Act (Pub. L. 95-521) requires the income and honoraria information on your form to be updated within five days before the date of the Committee hearing to consider your nomination.

its inception are considered to be your financial interests for purposes of conflict of interest statutes (including section 602(a) of Department of Energy Organization Act) until such time as you are notified that they have been disposed of by the trustee. This office has been informed that, at the time the trust was established, you placed a number of oil and gas mineral interests in the trust. You have recently asked the trustee to dispose of these interests, and you have informed us that you will not assume the position of Deputy Secretary until you are notified that such disposition has taken place.

Section 606(b) of the DOE Organization Act prohibits a supervisory employee, for a period of one year after commencing service in the Department, from knowingly participating in any Department proceeding for which he had direct responsibility, or in which he participated substantially or personally, while employed by any energy concern within the previous five years. The term "Department proceeding" is defined in section 1010.103(h) of title 10, Code of Federal Regulations, as "any judicial proceeding, Department hearing, application, rulemaking, order, license, contract, accusation, or arrest, in which the Department is directly involved."

I understand that you were employed by the International Energy Agency in 1981. While that organization has not been determined to be an energy concern, a major portion of its activities relate to the monitoring and development of world energy resources. To avoid any suggestion of conflict of interest, you have undertaken not to participate, during your first year with the Department of Energy, in any Department proceeding for which you had direct responsibility, or in which you participated substantially or personally, in 1981 as an International Energy Agency employee.

Finally, section 208, title 18, United States Code, prohibits you from participating personally and substantially, as a Government employee, in any particular matter in which, to your knowledge, you have or your spouse, minor child, partner, organization in which you are serving as officer, director, trustee, partner, or employee, or any person or organization with whom you are negotiating or have any arrangement concerning prospective employment has, a financial interest. Accordingly, you should avoid participation in any particular matter the outcome of which could have a direct and predictable effect on any such financial interests.

Please let me know if I can be of further assistance.

Ralph D. Goldenberg
Assistant General Counsel
for General Law

SF 278 (Rev. 1/85)
FPM Chapter 734
U.S. Office of Personnel Management

Financial Disclosure Report

Form Approved
OMB No. 3209-0002

Reporting Status *(Check Appropriate Box)*: ☐ Incumbent ☒ New Entrant, Nominee, or Candidate ☐ Termination Filer

Agency Use Only: FEB 19 1986

OGE Use Only:

Date of Appointment, Candidacy, Election or Nomination *(Mo., Day, Yr.)*:

Termination Date *(If Applicable)* *(Month, Day, Year)*:

Reporting Individual's Name	Last Name MARTIN	First Name and Middle Initial WILLIAM F.
Position for Which Filing	Title of Position Deputy Secretary	Department or Agency *(If Applicable)* Department of Energy
Location of Present Office	Address *(Number, Street, City, State and ZIP Code)* The White House, Ground Flcor West Wing Washington, DC 20506	Telephone No. *(Include Area Code)* (202) 456-2224
Position(s) Held With the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held Executive Secretary,NSC (since 6/85); Senior Director for Coordination, NSC (since 12/83). Both carry title of Special Assistant to the President for National Security Affairs.	
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination Energy and Natural Resources	Do You Intend to Create a Qualified Diversified Trust? ☒ Yes ☐ No Blind Trust is with First National Bank of Tulsa

Certification I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	Signature of Reporting Individual William F Martin	Date *(Month, Day, Year)* 12-9-85
Other Review **(If desired by agency)**	Signature of Other Reviewer	Date *(Month, Day, Year)*
Agency Ethics Official's Opinion The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Signature of Designated Agency Ethics Official/Reviewing Official	Date *(Month, Day, Year)* 2/26/86
Office of Government Ethics Use Only	Signature	Date *(Month, Day, Year)*

Reporting Periods

Incumbents: Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

Termination Filers: Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

Nominees, New Entrants and Candidates for President and Vice President: Complete Schedules A, C, and D. (Candidates do not file Part II of Schedule D.)

- **Schedule A**—The reporting period for Income (BLOCK C) and Transactions Test (BLOCK D) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I** (Liabilities)—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II** (Agreements and Arrangements)—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

Mr. Martin will not assume the position of Deputy Secretary until the trustee of of the William F. Martin Blind Trust (listed in schedule A) has disposed of oil & gas mineral interests placed in the trust by Mr. Martin when the trust was created. (SF) 2-26-86

☐ *(Check box if comments are continued on the reverse side)*

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278-100

NSN 7540-01-070-8444

SF 278 (Rev. 1/85)
FPM Chapter 734
U.S. Office of Personnel Management

Form Approved
OMB No. 3209-0002

Reporting Individual's Name		Page Number	Schedule
WILLIAM F. MARTIN	**Assets and Income**	2	A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 or more received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

		BLOCK A Assets & Income Sources	**BLOCK B** Valuation of Assets							**BLOCK C** Income																	**BLOCK D** Transactions Test	
		Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐	Category of Value (X)							Type of Income (X)							Category of Amount of Income (X)										If yes, complete Schd. B Part I for those assets including those sold for a loss.	
S or DC			None (or less than $1001)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	YES	NO
	Examples:	X Y Z Common				x				x									x								x	
		Doe Jones & Smith, Hometown, USA			x											ptnrshp income									$60,000			
	1	William F. Martin Blind Trust (2145982003 - First National						X							X						X							
	2	Bank of Tulsa) See comments Page 1 (SE) 2-26-86																										
S	3	Nicholas Carl Martin Trust (2146005004 - First National																										
DC	4	Bank of Tulsa - William F. Martin Trustee)					2-26-86																					
	5	o Money Market Fund Federated US Treasury Obligations A			X		(SE)					X						X										
	6	o 1194 Share First Okla. City Bank Corporated		X													X											
S	7	Christopher Flynn Martin Trust (2146114002 - First National																										
DC	8	Bank of Tulsa - William F. Martin Trustee)					2-26-86																					
	9	o Money Market Fund Federated US Treasury Obligations A			X							X						X										
	10	o 1194 Share First Okla. City Bank Corporated		X		(SE)											X											

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SF 278 (Rev 1/86)
FPM Chapter 734
U S Office of Personnel Management

FEB 19 1986

Form Approved
OMB No 3209-0002

Reporting Individual's Name	WILLIAM F. MARTIN

Page Number	3	Schedule B

Part I
Transactions

Incumbents and Termination Filers only: Report any purchase, sale or exchange by you, your spouse or dependent child during the reporting period of any real property, stocks, bonds, commodities futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse or your dependent child.

NONE ☒

S or DC		Identification of Assets	Type of Transaction (X) Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (X) $1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000
	Example:	X Y Z Common	X			2/1/83			X			
1												
2												
3												
4												
5												
6												

Part II
Gifts, Reimbursements and Travel Expenses

Incumbents and Termination Filers only:
Report the source, a brief description and the value of: (1) in-kind gifts of transportation, lodging, food or entertainment received from one source totaling $250 or more unless received as personal hospitality at the donor's personal or family residence; (2) other gifts received from one source totaling $100 or more in value; and (3) cash reimbursements of $250 or more received from one source. Exclude gifts and reimbursements received by your spouse that were given totally independent of their relationship to you. Exclude transportation, lodging, food and reimbursements from the U.S. Government. For (1) and (2), **exclude** gifts from relatives and **exclude** gifts of $35 or less when aggregating them for the total from one source. See instructions for further exclusions.

NONE ☐

S		Source (Name and Address)	Brief Description	Value
	Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/83	$500
		Nat'l Assn. of Rock Collectors, NY, NY	Leather briefcase for retiring president	$125
1		Personal momentos from Presidential travel	(Bonn Summit bag, suit hanger marked President's trip to Europe)	$25
2		All gifts from foreign governments		
3		(even those less than $140) are provided to the White House Gift Unit.		
4		Leehanau Schools	Received airfare from this non-profit organization to speak at	$375
5		Glen Arbor, Michigan	Global Affairs Symposium. No honorarium accepted.	
6		(Grace Cochran)	August 1985	

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SF 278 (Rev. 1/85)
FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 [illegible]

Form Approved
OMB No. 3206-0092

Reporting Individual's Name

WILLIAM F. MARTIN

Page Number	4	Schedule C

Part I
Liabilities

All Filers: Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. **Exclude** a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☒

		Creditor (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (X) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
S or DC	Examples:	First District Bank, Washington, DC	Mortgage on rental property, Rehoboth Beach, Delaware	1981	13%	25 yrs.			X		
		John Jones, 123 J St., Washington, DC	Promissory note	1979	10%	on demand	X				
1		NONE									
2											
3											
4											
5											
6											

Part II
Agreements Or Arrangements

All Filers: Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☒

	Status and Terms of any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Example:	Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83	Doe Jones & Smith, Hometown, USA	7/75 ptnrship agmnt.
NONE			

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FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 1986

Form Approved
OMB No. 3206-0087

Reporting Individual's Name W[illegible]IAM F. MARTIN	Page Number	5	Schedule D

Part I
Positions Held Outside U.S. Government

All Filers: Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/82	6/83
	Doe Jones & Smith, Hometown, USA	Law firm	Partner	7/78	11/83
	Council on Foreign Relations	Non-profit Foundation	Member	6/84	Present
	Co-Trustee, Nicholas Carl Martin Trust [illegible]th First National Bank of Tulsa) (2146005004)	Trust	Trustee	83	Present
	Co Trustee, Christopher Flynn Martin Trust ([illegible] First National Bank of Tulsa) (2146114002)	Trust	Trustee	84	Present

Part II
Compensation In Excess Of $5000
Paid by One Source

Nominees and New Entrants only: Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☒

	Source (Name and Address)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, USA	Legal services
	Metro University (client of Doe Jones & Smith) Hometown, USA	Legal services in connection with university construction

P[illegible] EDITION USABLE

278-108

DAVID B. WALLER

Mr. Waller was appointed by the President as Associate Counsel, Office of Counsel to the President, on May 1, 1981; thereafter, on May 13, 1982, he was commissioned Senior Associate Counsel to the President, the position in which he has served since that time.

Prior to his White House service, Mr. Waller was employed from 1978 to 1981 by the 200 lawyer Washington, D. C. law firm of Hogan & Hartson. From 1974 to 1978 he served in the Attorney General's Honors Program at the Department of Justice, functioning as Trial Attorney for the Civil Division.

A native of Decatur, Illinois, Mr. Waller is a graduate of Denison University, Granville, Ohio (cum laude, 1970) where he was named Economics Fellow and was inducted into Omicron Delta Kappa Leadership Honorary and Omicron Delta Epsilon Economics Honorary.

Mr. Waller graduated from the University of Tulsa, College of Law (J.D., with honors) in 1973. While there he served as Managing Editor of the Law Review and was awarded the Martin, Fellows, Smith Cup, which is presented to the individual designated by the faculty as the most outstanding student in the College of Law. He also received the Judge W. Lee Johnson Award for graduating with the highest grade point average, and was presented a Certificate of Merit by the Oklahoma Bar Association which named him the outstanding law student. He was the recipient of the Corpus Juris Secundum Award for making the most significant scholarly accomplishments not based on grades alone.

Mr. Waller is active in the alumni affairs of both his undergraduate and graduate schools, and currently serves as National Chairman of the Denison University Annual Campaign. He is a member of the Bar of the Supreme Court of the United States, the Supreme Court of Oklahoma, the District of Columbia Court of Appeals, and various federal circuit and district courts. He is a member of the American Bar Association and a member and National Councilman of the Federal Bar Association. He also is an active member of the Friends of the Kennedy Center, and was elected last year to its National Council.

Mr. Waller was born September 13, 1948 in Decatur, Illinois, where he attended public schools and became an Eagle Scout. He served in the U.S. Army Reserve from 1970-1976.

UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Waller (LAST) David (FIRST) Barclay (OTHER)

Position to which nominated: Assistant Secretary for International Affairs and Energy Emergencies **Date of nomination:**

Date of birth: 13 (DAY) 9 (MONTH) 48 (YEAR) **Place of birth:** Decatur, Illinois

Marital status: single **Full name of spouse:**

Name and ages of children

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Douglas McArthur High School, Decatur, IL	1962-1966	graduated	
Denison University Granville, Ohio	1966-1970	B.A. cum laude	1970
University of the Americas, Mexico City, Mexico	6/67-8/67	summer term	
University of Colorado	6/68-8/68	summer term	
University of Tulsa	8/71-12/73	J.D. cum laude	1973

Employment record: List below all positions held since college, including the title and description of job, name of employer, location, and dates.

May 1981-present: Senior Associate Counsel to the President, The White House, Washington, D. C.

April 1978-April 1981: Lawyer, Hogan & Hartson law firm, 815 Connecticut Avenue, N.W., Washington, D. C.

August 1974-February 1978: Trial attorney, U.S. Department of Justice, Civil Division, Washington, D.C.

Employment record—Continued

Military service: Describe any military service not listed above, including dates, rank, and type of discharge.

U.S. Army Reserve (active duty 1970 - 1971); inactive duty 1971 - 1976. E4, honorable

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Managing Editor, Tulsa Law Journal

Martin, Fellows, Smith Cup (designated by University of Tulsa College of Law faculty as the outstanding student)

Judge W. Lee Johnson Award (graduating student with highest grade average)

Certificate of Merit, Oklahoma Bar Assn., as the outstanding student in the College of Law (1973) (cont'd)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Dates	Office held (if any)
Friends of the Kennedy Center	1985-present	Member, National Council
Denison University Alumni Association	1981-present	Regional and Nat'l Chairman of Annual Campaign
Federal Bar Assn.	1985-present	Member, National Council
American Bar Assn.	1974-present	
D.C. Bar Assn.	1975-present	

(cont'd)

David B. Waller

Honors and Awards (cont'd)

Corpus Juris Secundum Award (student in each class designated by the faculty for making the most significant scholarly accomplishments not based on grades alone)(1972-73).

American Jurisprudence Awards (4) (student receiving highest grade in a particular course)

Eagle Scout

God and Country Award

Memberships (cont'd)

Oklahoma Bar Assn.	1973-present
American Judicature Society	1974-present
Omicron Delta Kappa-leadership honorary	1969-present
Omicron Delta Epsilon-economics honorary	1969-present

Published writings:

List the titles, publishers and dates of any books, articles, or reports you have written.

N/A

Future employment relationships:

1. Will you sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate?

Not applicable; currently employed by the Federal Government.

2. Do you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization?

No

3. Has a commitment for employment after you leave government been made to you by anyone? Have you made any such commitment?

No; no.

4. (a) If you have been appointed for a fixed term, do you expect to serve the full term?

N/A

Future employment relationships—Continued

(b) If you have been appointed for an indefinite term, are there any known limitations on your willingness or ability to serve for the foreseeable future?

No

Financial statement:

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF 278).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers. Amounts should be indicated by the categories established for reporting income on Form SF 278, Schedule A.

None

3. Are you currently a party to any legal action? If so, describe its nature and status.

No

4. Have you ever declared bankruptcy? If so, describe the circumstances.

No

5. Have you filed a Federal income tax return for each of the last 10 years? If not, please explain.

Yes

6. Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit?

No

Potential conflicts of interest:

1. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I have minor holdings in the following companies: Wisconsin Power & Light Co., Winsconsin Electric Power Co., Staley Continental Corp., Anchor Hocking Corp., and Jersey Central Power and Light Corp.

2. Describe any business relationship, dealing or financial transaction (other than taxpaying) that you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, which might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

3. Describe any lobbying activity which you have performed during the past 10 years with respect to legislative or administrative actions at the Federal, State or local level.

None

4. Have you been informed of the conflict of interest laws and regulations applicable to the position to which you have been nominated?

Yes

Potential conflicts of interest—Continued

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to this form and the attachments thereto. Attach a statement of the appropriate agency ethics official explaining the applicable laws or regulations, any potential conflicts, and the action required to resolve such conflicts.

If confirmed I will sell my holdings in Wisconsin Power and Light Co., Wisc. Electric Power Co., Anchor Hocking Corp., and Jersey Central Power and Light Corp. Additionally, to avoid any possibility of appearance of conflict of interest, I will sell my holdings in Staley Continental Corporation.

6. Explain how you will resolve any potential conflicts of interest that may arise in the future if you are confirmed for the position for which you have been nominated.

I intend to comply with all applicable conflict of interest laws and regulations and to abide by opinions of the Office of General Counsel - DOE with respect to conflict of interest questions.

Public disclosure: Do you have any objections to this form and the attachments thereto being made public?

No

District of Columbia

AFFIDAVIT

I, David B. Waller, being duly sworn, hereby state that I have read the foregoing Statement for Completion by Presidential Nominees, including all attachments thereto, and that the information provided therein is, to the best of my knowledge and belief, current, accurate, and complete

David B Waller
(Signature of Nominee)

Subscribed and sworn to before me this 26th day of March, 1986

Kathleen A. Lloyd
Notary Public

Form approved by the Committee February 5, 1985.

U.S. GOVERNMENT PRINTING OFFICE : 1985 —43-095

United States of America
**Office of
Government Ethics**

Office of Personnel Management
P.O. Box 14108
Washington, D.C. 20044

FEB 27 1986

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by David B. Waller, who has been nominated by President Reagan for the position of Assistant Secretary for International Affairs and Energy Emergencies, Department of Energy.

We have reviewed the report and have also obtained advice from the Department of Energy concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Waller is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H Martin
David H. Martin
Director

Enclosure

DOE F 1325.8
[illegible]

United States Government **Department of Energy**

memorandum

DATE FEB 2 6 1986

REPLY TO ATTN OF GC-44

SUBJECT Statement of Agency Ethics Official for Senate Committee

TO David B. Waller

This memorandum is intended to serve as a statement from the designated agency ethics official for this Department, as required by question 5, page 6, of the Statement for Completion by Presidential Nominees that you are submitting to the United States Senate Committee on Energy and Natural Resources in connection with your nomination for the position of Assistant Secretary for International Affairs and Energy Emergencies. I have reviewed your Standard Form 278 (Financial Disclosure Report) dated November 27, 1985, and your Form DOE-460 (Report on Prior Employment) dated January 24, 1986, and have certified that the information contained therein discloses no conflict of interest under applicable laws and regulation. 1/

As a supervisory employee of the Department, you are prohibited by section 602(a) of the DOE Organization Act (Pub. L. 95-91) from knowingly receiving compensation from, holding any official relation with, or having any pecuniary interest in any energy concern. The term "energy concern" is defined in section 601(b) of the Act as any entity "significantly engaged in the business" of any of a variety of activities related to energy production, distribution, sale, or research and development, or any entity significantly engaged in such research and development pursuant to a DOE-funded program irrespective of whether it otherwise engages in such business. The term also includes any entity holding an interest in property from which an energy resource is commercially produced or obtained.

You listed in Schedule A of your Standard Form 278 ownership of stocks or bonds of the following energy concerns: Jersey

---

1/ Section 201(b) of the Ethics in Government Act (Pub. L. 95-521) requires the income and honoraria information on your form to be updated within five days before the date of the Committee hearing to consider your nomination.

Central Power and Light Company, Wisconsin Power and Light Company, and Anchor Hocking Corporation. You have informed my office that you will divest yourself of these interests before assuming the position of Assistant Secretary for International Affairs and Energy Emergencies. In addition, you have agreed to divest yourself of your stock interest in Staley Continental Services, Inc., which you also listed in Schedule A. The latter company does not fall within the definition of "energy concern" because its energy production activities are a very small proportion of its overall business. Nevertheless, I understand that you have decided to divest yourself of your stock in the company to avoid any real or apparent conflict of interest with your activities as a Department of Energy official.

In addition, section 208, title 18, United States Code, prohibits you from participating personally and substantially, as a Government employee, in any particular matter in which, to your knowledge, you have or your spouse, minor child, partner, organization in which you are serving as officer, director, trustee, partner, or employee, or any person or organization with whom you are negotiating or have any arrangement concerning prospective employment has, a financial interest. Accordingly, you should avoid participation in any particular matter the outcome of which could have a direct and predictable effect on any such financial interests.

Please let me know if I can be of further assistance.

Ralph D. Goldenberg
Assistant General Counsel
for General Law

SF 278 (Rev. 1/85)
FPM Chapter 734
U.S. Office of Personnel Management

Financial Disclosure Report

Form Approved
OMB No.

Page 1

Reporting Status *(Check Appropriate Box)*

☐ Incumbent ☒ New Entrant, Nominee, or Candidate ☐ Termination Filer

Agency Use Only: FEB 19 1986

OGE Use Only:

Date of Appointment, Candidacy, Election or Nomination *(Mo., Day, Yr.)*:

Termination Date *(If Applicable)* *(Month, Day, Year)*:

Reporting Individual's Name	Last Name Waller	First Name and Middle Initial David B.
Position for Which Filing	Title of Position Assistant Secretary for International Affairs and Energy Emergencies	Department or Agency *(If Applicable)* Department of Energy
Location of Present Office	Address *(Number, Street, City, State and ZIP Code)* Room 115, OEOB, Washington, D. C. 20500	Telephone No. *(Include Area Code)* 202/456-2674
Position(s) Held With the Federal Government During the Preceding 12 Months *(If Not Same as Above)*	Title of Position(s) and Date(s) Held Senior Associate Counsel to the President - 1981-present	
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination Senate Committee on Energy and Natural Resources	Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No
Certification I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	Signature of Reporting Individual David B Waller	Date *(Month, Day, Year)* Nov. 27, 1985
Other Review **(If desired by agency)**	Signature of Other Reviewer	Date *(Month, Day, Year)*
Agency Ethics Official's Opinion The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Signature of Designated Agency Ethics Official/Reviewing Official Roger S. Goldenberg	Date *(Month, Day, Year)* 2/26/86
Office of Government Ethics Use Only	Signature	Date *(Month, Day, Year)*

Reporting Periods

Incumbents: Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

Termination Filers: Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

Nominees, New Entrants and Candidates for President and Vice President: Complete Schedules A, C, and D. (Candidates do not file Part II of Schedule D.)

- **Schedule A**—The reporting period for Income (BLOCK C) and Transactions Test (BLOCK D) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I** (Liabilities)—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II** (Agreements and Arrangements)—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Comments of Reviewing Officials *(If additional space is required, use the reverse side of this sheet)*

Mr. Waller has agreed to divest his interests in Jersey Central Power & Light Company, Wisconsin Power and Light Company, Anchor Hocking Corporation, and Itel Continental Services, Inc., before assuming the position of Assistant Secretary for International Affairs & Energy Emergencies. 2-26-86

(Check box if comments are continued on the reverse side) ☐

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278-108

NSN 7540-01-070-8444

SF 278 (Rev. [illegible])
FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 1986

Form Approved
OMB No. 3209-0002

Reporting Individual's Name		Page Number		Schedule
David B. Waller	**Assets and Income**		2	A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 or more received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources		BLOCK B Valuation of Assets							BLOCK C Income																	BLOCK D Transactions Test	
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐		Category of Value (X)							Type of Income (X)							Category of Amount of Income (X)										If yes, complete Schd B Part I for those assets including those sold for a loss	
S or DC		None (or less than $1001)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	YES	NO
Examples	X Y Z Common				x				x									x								x	
	Doe Jones & Smith, Hometown, USA			x											ptnrshp income									$50,000			
1	Jersey Central Power & Light Bond			X							X						X										
2	Community Unit School District #6A School		X								X						X										
3	Building Bond U.S. TREASURY BOND (PURCHASED 1986)			X												X					SF 2-26-86						
4	Baltimore County, MD MTG RV CAP AP Bond			X							X						X										
5	(purchased 8/85) ZERO CO[illegible] [illegible] SF 2-19-86																										
6	Staley Continental Services, Inc. Stock SF 2-19-86		X						X								X										
7	Wisconsin Power & Light, Common		X						X								X										
8	Anchor Hocking Corp., Common	X							X							X											
9	National Money Market Fund, Inc., purchased 10/85					X			X								X										
IRA	-THOMSON McKINNON INCOME FUND (PURCHASED 1986) 5 oz. gold		X X													X X					SF 2-26-86						

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SF 278 (Rev. 1/85)
FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 1986

Form Approved
OMB No. 3209-0002

Reporting Individual's Name David B. Waller	**Assets and Income**	Page Number 3	Schedule A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 or more received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources		BLOCK B Valuation of Assets							BLOCK C Income																	BLOCK D Transactions Test	
	Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐	Category of Value (X)							Type of Income (X)						Other (Specify Type)	Category of Amount of Income (X)								Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	If yes, complete Schd. B Part I for those assets including those sold for a loss	
S or DC		None (or less than $1001)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust		None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000			YES	NO
Examples	X Y Z Common				x				x									x								x	
Examples	Doe Jones & Smith, Hometown, USA			x											ptnrshp income									$50,000			
1	Helen Barclay Waller, Trust A created 6/6/67, held by Citizens					x*									trust									'84-$2,218			
2	National Bank (Decatur, IL), consisting of 3 agricultural																							'85- 2,735			
3	properties located in Macon County, IL, and 2 agricultural																										
4	properties located in DeWitt County, IL																										
5	Mary McKey Waller Residuary Trust (created 1/24/69 and												x						x								
6	funded 11/30/76)																										
7	Mary McKey Waller and Issue Trust (created 12/22/65												x			x											
8	Helen Barclay Waller, Trust B created 1967, held by Citizens												x							x							
9	National Bank (Decatur, IL), believed to consist of 2 agricultural properties																										
10	located in Macon County, IL																										

* Reporting individual's interest limited to income from assets of this trust; no remainder interest.

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FPM Chapter 734
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FEB 19 1986

Form Approved
OMB No. 3206-0082

Reporting Individual's Name David B. Waller	**Assets and Income**	**Page Number**	4	**Schedule A**

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. **Exclude** your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 or more received from the assets and other sources of income listed in BLOCK A. You must report the **actual amount** of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

		BLOCK A Assets & Income Sources	**BLOCK B** Valuation of Assets							**BLOCK C** Income																	**BLOCK D** Transactions Test	
		Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐	Category of Value (X)							Type of Income (X)							Category of Amount of Income (X)								Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	If yes, complete Schd. B Part I for those assets including those sold for a loss.	
S or DC			None (or less than $1001)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000			YES	NO
	Examples	X Y Z Common				x				x									x								x	
		Doe Jones & Smith, Hometown, USA			x											ptnrshp income									$50,000			
	1	Paine Webber Cashfund Sold 9/85					x			x											x							
	2	IRA-Perpetual Federal Savings and Loan 2 CD's	(SF) 2-14-86		x							x					x											
	3	IRA-Paine Webber CASH FUND			x					x	(SF) 2-14-86						x											
	4																											
	5																											
	6																											
	7																											
	8																											
	9																											
	10																											

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SF 278 (Rev. 1985)
FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 1986

Form Approved
OMB No. 3209-0002

Reporting Individual's Name
David B. Waller

Page Number	5	Schedule B

Part I
Transactions

Incumbents and Termination Filers only: Report any purchase, sale or exchange by you, your spouse or dependent child during the reporting period of any real property, stocks, bonds, commodities futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse or your dependent child.

NONE ☐

S or DC		Identification of Assets	Type of Transaction (X)				Amount of Transaction (X)					
			Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000
	Example	X Y Z Common	X			2/1/83			X			
1		NOT APPLICABLE										
2												
3												
4												
5												
6												

Part II
Gifts, Reimbursements and Travel Expenses

Incumbents and Termination Filers only: Report the source, a brief description and the value of: (1) in-kind gifts of transportation, lodging, food or entertainment received from one source totaling $250 or more unless received as personal hospitality at the donor's personal or family residence; (2) other gifts received from one source totaling $100 or more in value; and (3) cash reimbursements of $250 or more received from one source. Exclude gifts and reimbursements received by your spouse that were given totally independent of their relationship to you. **Exclude** transportation, lodging, food and reimbursements from the U.S. Government. For (1) and (2), **exclude** gifts from relatives and **exclude** gifts of $35 or less when aggregating them for the total from one source. See instructions for further exclusions.

NONE ☐

S		Source *(Name and Address)*	Brief Description	Value
	Examples	Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/83	$500
		Nat'l Assn. of Rock Collectors, NY, NY	Leather briefcase for retiring president	$125
1		NOT APPLICABLE		
2				
3				
4				
5				
6				

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FEB 19 1986

Form Approved
OMB No. [illegible]

Reporting Individual's Name
David B. Waller

Page Number 6 | Schedule C

Part I
Liabilities

All Filers: Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☒

		Creditor (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (X)				
							$10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
S or DC	Examples	First District Bank, Washington, DC	Mortgage on rental property, Rehoboth Beach, Delaware	1981	13%	25 yrs.			X		
		John Jones, 123 J St., Washington, DC	Promissory note	1979	10%	on demand	X				
	1										
	2										
	3										
	4										
	5										
	6										

Part II
Agreements Or Arrangements

All Filers: Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☒

	Status and Terms of any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Example:	Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83	Doe Jones & Smith, Home town, USA	7/75 ptnership agmnt

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FPM Chapter 734
U.S. Office of Personnel Management

FEB 19 1986

Form Approved
OMB No. 3209-0002

Page Number	7	Schedule D

Reporting Individual's Name
David B. Waller

Part I
Positions Held Outside U.S. Government

All Filers: Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. **Exclude** positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples:	Nat'l Assn. of Rock Collectors, NY, NY	Non-profit education	President	6/82	6/83
	Doe Jones & Smith, Hometown, USA	Law firm	Partner	7/76	11/83
	Denison University, Granville, Ohio	University	Vice Chairman-Annual Campaign	1/85	present
	Friends of the Kennedy Center, Washington, D.C.	Cultural, non-profit	Member, National Council	1/85	present
	Federal Bar Association, Washington, D. C.	Professional	Member, National Council	10/85	present

Part II
Compensation In Excess Of $5000
Paid by One Source

Nominees and New Entrants only: Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☒

	Source (Name and Address)	Brief Description of Duties
Examples:	Doe Jones & Smith, Hometown, USA	Legal services
	Metro University (client of Doe Jones & Smith) Hometown, USA	Legal services in connection with university construction

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278-108

APPENDIX II

Responses to Additional Questions From the Nominees

APR 18 1986

Honorable James A. McClure
Chairman
U.S. Senate Energy and
  Natural Resources Committee
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are answers to questions which were raised at my confirmation hearing on Monday, April 14, as well as questions that were submitted for the record.

Should you require additional information I will be happy to provide it, personally, or in writing.

Thank you for all the courtesies,extended to me by yourself and members of your staff.

Best wishes.

Sincerely,

William F Martin

William F. Martin

Question from Senator Wallop to William Martin

> What is the status of the U.S./USSR fusion technical agreement? How much does it cost? During the negotiations in Geneva was the human rights issue, in particular the Andrey Sakharov case, considered?

Answer: Scientific cooperation in the area of magnetic fusion energy with the Soviet Union is under the U.S./USSR Agreement on the Peaceful Uses of Atomic Energy, established in 1973 and currently in force until 1988. The agreement calls for exchanges of scientists, workshops and experimental activities. Since the Soviets are among the leaders in this area we benefit by learning of the progress in their theoretical and experimental studies. Costs are minimal as the program is primarily an exchange agreement. Six exchange groups of about six people visit each other in the course of the year for periods up to a few months. There is no separate budget item for this activity.

Discussions in Geneva in November, 1985 were independent of activities under the U.S./USSR Atomic Energy Agreement. The Joint Statement resulting from the Geneva Summit included the statement "The two leaders (President Reagan and General Secretary Gorbachev) emphasizied the potential importance of the work aimed at utilizing controlled thermonuclear fusion for peaceful purposes and, in this connection, advocated the widest practical development of international cooperation in obtaining this source of energy which is essentially inexhaustible, for the benefit of all mankind." The U.S. is presently exploring with the Soviets and Western partners the scope of the potential collaboration. We are proceding cautiously to ensure that any collaborative effort remains within COCOM guidelines, is technically and economically beneficial, involves other major industrialized countries and has equitable sharing of costs and benefits.

The subject of human rights has been one of the four major agenda items of U.S./USSR Soviet discussions, the others being arms control, regional disputes and bilateral issues. There was extensive discussion of human rights at the Geneva Summit and, in fact, the Soviets showed increased willingness to resolve long standing divided family issues just before and after the Summit. We never say specifically what was discussed in these meetings with the Soviets but I can assure you that Dr. Sakharov's situation is regularly raised with the Soviets along with calls for amelioration of his circumstances.

Question from Senator Murkowski

The Three Gorges Hydroelectric Project is currently under review by the government of the People's Republic of China. If constructed, the project will be the world's largest hydroelectric development. The People's Republic has encouraged international participation in the project and has entered into a technical assistance agreement with the Bonneville Power Administration.

In May of last year, the Chinese indicated an interest in receiving a substantive proposal from the United States for financing and implementing the project. As a result of that interest, a team of private sector experts working in close cooperation with the Bureau of Reclamation and the Corps of Engineers prepared a proposal for the Chinese. The completed proposal was presented to Chinese Vice Premier Li Peng during his visit to the United States last July. Central to the proposal was $6 million in U.S. Government cost sharing for the proposed studies. To date, there has been no follow-up on this funding despite the fact that Japanese and Canadians are aggressively pursuing this project.

What would be the capability of the Department of Energy toward contracting with the private sector to perform the work described in the Three Gorges proposal? Do you favor DOE participation in this project?

Answer: It is my understanding from Secretary Herrington, who recently returned from China, that he held extensive discussions on the Three Gorges Project with top Chinese officials including Premier Zhao Ziyang, Vice Premier Li Peng and Madame Qian, Minister of Water Resources and Electric Power. During his talks, the Secretary promoted U.S. industry capability, technology and expertise in helping the Chinese build this formidable hydroelectric power project. The Department of Energy does not contract with the private sector to build projects such as the Three Gorges proposal nor do we provide financing. We believe our role is to promote U.S. industry and technology and to open doors where possible to parties to exchange information on their needs and capabilities. In addition, we encourage countries to develop a diverse mix of energy supplies to aid their economic development.

The U.S. Government has offered $2 million in 1987 Trade Development Program (TDP) funds for a feasibility study on financing and economics of the project. The study would help the Chinese in developing and presenting proposals to foreign entities for the financing of the project.

DOE will continue to monitor the developments on the Three Gorges project and will be happy to keep you apprised of the situation.

April 21, 1986

Honorable James A. McClure
Chairman, Committee on Energy and
  Natural Resources
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Enclosed are additional questions for the record submitted by Senator Wallop after my April 14 confirmation hearing.

Thank you once again for your assistance and that of your staff.

Best wishes.

Sincerely,

William F. Martin

Questions submitted for the record to William F. Martin by Senator Wallop

Q1 - What does the United States gain from its cooperation with the USSR in nuclear fusion research? What are some of the dangers from a nuclear proliferation point of view in continuing to pursue this technology?

Scientific cooperation in the area of magnetic fusion energy with the Soviet Union is under the U.S./USSR Agreement on the Peaceful Uses of Atomic Energy, established in 1973 and currently in force until 1988. The most advanced fusion system, the tokamak, was initially developed by the Soviets and they are still providing unique contributions to its development.

The agreement calls for exchanges of scientists, workshops and experimental activities. Six exchange groups of about six people visit each other in the course of the year for periods up to a few months. Our scientists have been able to test ideas on Soviet devices, gain insight from the respected Soviet fusion theorists and experimentalists and work closely with Soviet scientists to analyze and evaluate experimental results. Through these exchanges we have been able to improve the performance of our own fusion experimental facilities.

Halting the spread of nuclear weapons is a major Administration priority. It is my understanding that we do not anticpate any proliferation problems in collaborative fusion research. Fusion is a sufficiently complex technology that it is unlikely that any non-nuclear weapons country would choose this route to the production of weapons grade material. However, I can assure you that I will carefully monitor this issue to ensure that any cooperation does not contribute to proliferation of nuclear weapons.

Q2. Would you describe the tokamak fusion research program which the US and USSR are undertaking? What does it mean for nuclear energy research? The possible military implications could appear to be grievously damaging to the US. What is your opinion?

The Joint Statement resulting from the Geneva Summit included the statement "The two leaders (President Reagan and General Secretary Gorbachev) emphasized the potential importance of the work aimed at utilizing controlled thermonuclear fusion for peaceful purposes and, in this connection, advocated the widest practical development of international cooperation in obtaining this source of energy which is essentially inexhaustible, for the benefit of all mankind."

The US is presently exploring with the Soviets and Western partners the scope of potential collaboration. The US is now considering a range of options to fulfill the intent of the joint statement. The Soviets have proposed a joint project to build and operate a fusion engineering test reactor. Thus far we have not agreed to a project and are proceeding cautiously to ensure that any collaborative effort remains within COCOM guidelines, is technically and economically beneficial, involves other major industrialized countries and has equitable sharing of costs and benefits.

The Western fusion countries, namely, the US, European Community, and Japan, view a fusion engineering test reactor as a common mid-term goal for their programs and one which might be built in common to save expenses and share expertise. If the three Western participants were to proceed with such a device, the participation of the Soviets could reduce each participant's cost in addition to strengthening the technical capability of the project team and program support.

With regard to the possible military implications, this Administration has made major efforts to halt the flow of strategically useful technology to the Soviet Union, both bilaterally and with our Allies within COCOM. The Departments of Defense and Energy are currently reviewing the range of technology involved in collaborative fusion research to ensure that if such cooperation were to take place we would have adequate safeguards to protect militarily sensitive technology.

Since the beginning of this Administration I have been involved actively with efforts to reduce subsidized credits and to stem the tide of militarily useful technology to the Soviet Union. I can assure you that I will monitor this issue closely to ensure that any collaborative research does not threaten vital US national security interests.

April 29, 1986

Honorable James A. McClure
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

Enclosed please find my responses to follow-up questions submitted by Senator Wallop. I appreciate this opportunity to provide additional information.

Senator Wallop asked very detailed questions and expressed several concerns, many of which I share. I have tried to be as responsive as possible and regret any unintentional deletions from my previous answers.

Should you or other members of the Committee desire additional information please don't hesitate to ask. Again, thank you for this opportunity to respond to Senator Wallop.

Sincerely,

William F. Martin

Enclosure

Question 1. Your response to my question on the tokamak fusion research program states that the U.S. is presently exploring with the Soviets and Western partners the scope of potential collaboration. Yet I read in the press that the U.S. recently signed a fusion energy agreement with Japan and the European Economic Community. That agreement is not mentioned in your reply. Why was that major international cooperation agreement not brought to the attention of the Committee? How can I be sure in light of that, that the U.S. is only exploring the scope of potential fusion cooperation with the Soviets? Can you assure me that the Committee will be consulted and fully briefed in advance on what shape such cooperation with the Soviets will take?

Answer. In January, 1986, the U.S., Japan and the European Community signed an Implementing Agreement on Co-operation Among the Three Large Tokamak Facilities (JET, JT-60 and TFTR) under the auspices of the International Energy Agency (IEA). The agreement makes possible a systematic exchange of scientific, technical and managerial information, coordination of program plans, assignment of scientists to the large tokamak facilities, and workshops on various scientific and technical topics. The tokamak facilities are the TFTR at Princeton Plasma Physics Laboratory, the JT-60 at Naka-Machi, Japan, and the European Community's Joint European Torus (JET) at Culham, UK. The Japan Atomic Energy Research Institute, which operates the JT-60, acts as the coordinator for the activities under the agreement.

This agreement is one of six DOE now has under the IEA. We also work with Japan, Europe, and the Soviet Union through various bilateral arrangements. As pointed out in DOE's international program plan submitted April 1, 1986 to the House Appropriations Subcommittee on Energy and Water Development, as they had requested, DOE considers international collaboration a resource necessary to achievement of the goals of the magentic fusion program.

Copies of this plan were also sent to the House Committee on Science and Technology, the Senate Appropriations Subcommittee on Energy and Water Development, and the Senate Committee on Energy and Natural Resources.

This Large Tokamak Agreement was not highlighted to the Committee because it formalized an ongoing exchange process, involved little in the way of resources, and consequently was not judged to warrant particular attention.

Effective international collaboration is not possible without the interest, support and approval of Congress. I assure you that I will advise and consult with the Committee on all matters pertaining to U.S./USSR magnetic fusion cooperation.

Question 2. You state that if the three western participants proceed with building a fusion engineering test reactor with the Soviets, it will be built in common to reduce costs. Why have the Soviets at all? Will this really save money in the long run? Won't this be a technology give-away to the Soviets? How can COCOM put controls on scientific research which is so new and unknown that we don't know where it will lead? Where and when will the reactor be built? If it is built in the U.S. won't the U.S. then be giving the Soviets entree to our science research? If it is built in Japan or western Europe, won't the same problem exist? If the test reactor is built in the Soviet Union, how can we insure access by the West to the facility? Won't we be putting U.S., Japanese and West European funds into a Soviet-controlled facility? Given all the problems we have with them in other fields concerning access and verification of their science research, won't we be facing the same problem here?

Answer: Before answering your specific questions concerning a potential agreement between the U.S. and the Soviet Union to build a fusion Engineering Test Reactor as a result of the Reagan/Gorbachev summit meeting, I want to briefly review the status of our internal discussions, our discussions with our allies, and the status of our discussions with the Soviet Union on this topic.

Prior to the Geneva Summit, the Soviets raised the possibility of agreeing to the building of a Engineering Test Reactor. At the Summit, the US argued strongly that it was premature to agree to such a project. We argued that more study was necessary on the feasibility of such a project. In addition, cost sharing details would have to be thoroughly studied and participation would have to be sought from other technically advanced countries. Most importantly, we stressed that any such project would have to be within the guidelines of COCOM and that we could not participate in a project which would have significant military benefits to the Soviet Union. However, the US and Soviet sides did agree that further fusion collaboration of some sort could be beneficial and the communique expresses "the importance of the work aimed at utilizing controlled thermonuclear fusion for peaceful purposes, and, in this connection advocated the widest practicable development of international cooperation in obtaining this source of energy, which is essentially inexhaustible, for the benefit of mankind."

In response to the joint Reagan/Gorbachev communique from the Geneva Summit and the President's wishes, we in the Executive Branch have been proceeding in a cautious and deliberate manner to examine possible modes of cooperating with the Soviets in a more significant way. We have the same concerns about such a joint venture as those expressed in your questions. In fact, your questions make a good catalog of issues that must be addressed. We are examining the issues in a special National Security Council Working Group formed for this purpose. This group, chaired by a staff member of the National Security Council, has representatives from the Department of Energy, the Office of Management and Budget, the Department of Defense, the Department of State and the Office of Science and Technology Policy. The group has been reviewing the issues of technology transfer, budgetary implications, fusion as a science priority and international foreign policy implications.

There has been one meeting since Geneva in March with the Soviets to discuss fusion cooperation further. A U.S. team led by Dr. Alvin W. Trivelpiece from the Department of Energy and including representatives from the National Security Council staff, Department of Defense, the Office of

Science and Technology Policy, and the Department of State met with a Soviet team in Geneva. The U.S. team went to listen to the Soviet ideas on fusion cooperation. The Soviets were enthusiastic about collaboration on something like an Engineering Test Reactor. The U.S. argued that there were several key items which must be considered before one could consider collaborating on an Engineering Test Reactor.

1. Any project must be the right technical step in fusion development.
2. The project must be built on a multinational basis.
3. There must reasonable cost sharing.
4. Any collaboration must adhere strictly to COCOM agreements.

The meeting was characterized by a businesslike atmosphere with each side making basically its own arguments. The only agreement was that further discussion on this matter was needed. The next meeting date has not been set.

Discussions with our allies on international cooperation in magnetic fusion have been in progress for several years through the Economic Summit process. The first meeting of the policy-level Fusion Working Group, formed as a result of the Economic Summit, was held after the Williamsburg Summit in September 1983. Recent meetings of the Fusion Working Group have reviewed the possibilities for future international collaboration and concluded that the next major step in fusion research would be the building of an

Engineering Test Reactor. With regards to possible collaboration with the Soviets, Economic Summit representatives have agreed that further discussions would be necessary before any conclusions on Soviet participation could be reached.

As the Reagan-Gorbachev communique points out magnetic fusion offers the potential for unlimited energy availability to resolve long term world energy problems. This is a very attractive prospect and for years Administrations and the Congress have supported fusion research. Progress has been excellent and we are looking forward to the demonstration of plasma conditions that will verify the basic principles of this process. However, to go the next step is very expensive, probably in excess of $3 billion. Ideally, we could continue to fund this exclusively as a U.S. project. However, having several countries build the same object to obtain the same result at the same time is not wise. Each of the countries involved with fusion research -- the U.S., USSR, Japan and Europe -- have achieved a state of parity with the facilities they are currently operating. Therefore, from a scientific viewpoint, it is natural to consider joining forces along the lines suggested by the Reagan-Gorbachev Summit declaration. However, we do recognize the much greater complications inherent in any multinational project. Therefore, we must weight the scientific and economic benefits of collaboration against the added burdens involved in such an ambitious project. Thus far we are studying all the implications and have made no commitments. The process is at an early stage. The issue is highly complex from a scientific, political and economic perspective and we are intentionally cautious in our approach. We welcome the views of the Committee as you are keenly aware of the energy, budget and political implications. I look forward to cooperating closely with you.

Now I will answer your specific questions.

Why have the Soviets at all? Will this really save money in the long run?

The Soviets have had a vigorous magnetic fusion program as long as the United States and of about the same size. The Soviet program has made many key contributions to fusion research and technology, including the invention of the most advanced fusion concept, the tokamak. The Soviets have successfully built large fusion devices in the past and currently have under construction a new tokamak called T-15. This device is larger than the largest U.S. tokamak, the Tokamak Fusion Test Reactor at Princeton. It is also technologically more advanced in some ways, e.g., it uses superconducting magnets. The advantage of having the Soviets involved in further collaboration is to make use of their scientific talent and some of their technology as well.

Won't this be a technology give-away to the Soviets? How can COCOM put controls on scientific research which is so new and unknown that we don't know where it will lead?

There is presently a reasonable balance between the U.S. and the Soviet Union in magnetic fusion technology. As stated above, the Soviets have built and are building large tokamak devices. For the most part, large tokamaks built in the U.S., Japan, Europe and the Soviet Union use the same technology. Currently, there are some areas of fusion technologies where the Soviets are superior and there are some areas where we are more advanced. However, we agree fully with your point that it is critical that we carefully review the technology transfer issues related to the building of an Engineering Test Reactor to ensure that no militarily critical technology would become available to the Soviet Union. For example, there are some areas such as computers that would be used in the design of the reactor and other computers that would be used for control of the device where restrictions would have to be applied. We are presently evaluating all aspects of an engineering test reactor to learn if there are other areas which involve militarily critical technologies.

On your question regarding COCOM and scientific research, it is important to note that COCOM does not put controls on scientific research. COCOM is an informal cooperative arrangement through which the United States and its allies seek to coordinate the national controls they apply to the export of strategic goods and technology to the Communist world. With regard to controls on scientific research, magnetic fusion research is not classified. Its scientific results are shared by all countries through publications, international conferences and exchange of scientists.

I would be glad to keep you personally informed on the progress of our deliberations on the technology transfer issue. I can also assure you that we will work with our Allies and within COCOM to prevent the escape of militarily sensitive technology involved with all scientific projects at the Department of Energy.

Where and when will the reactor be built? If it is built in the U.S., won't the U.S. then be giving the Soviets entree to our science research? If it is built in Japan or Western Europe, won't the same problem exist? If the test reactor is built in the Soviet Union, how can we insure access by the West to the facility? Won't we be putting U.S., Japanese and West European funds into a Soviet-controlled facility? Given all the problems we have with them in other fields concerning access and verification of their science research, won't we be facing the same problem here?

No decision has been made on cooperatively building a fusion reactor and thus no decision has been made on when and where a reactor will be built. However, it seems clear that if a reactor were to be built, it would be built on a "neutral" site, not in either the U.S. nor the Soviet Union. The most likely location would be in Europe. If the project were to be built in Europe, a new laboratory housing the project would be built separate from other ongoing scientific activities. Normal restrictions of the host country as to its science and technology developments would apply.

With regard to access to and verification of Soviet scientific research it is my understanding that DOE has not experienced any particular problems in the past. In fact, their scientists have been quite open in the magnetic fusion area.

Question 3. Please describe in full detail the kinds of safeguards contemplated to protect militarily sensitive technology involved in collaborative fusion research.

Answer. Because we are still at an early stage in discussing a potential project with the Soviets, safeguards to protect militarily sensitive technology involved in collaborative fusion research have not been worked out in detail. As I pointed out earlier, we are presently evaluating all technologies that might be involved with an engineering test reactor to see if they involve the use of militarily sensitive technology. As stated present magnetic fusion research is unclassified. If we were to undercover areas involved in a test reactor where critical military technologies were involved, then it would be necessary either to not use them or find a satisfactory way to protect them. For example, such technologies might be made available in such a way that performance characteristics are known but means of creating the devices or objects are not divulged. Such an approach would allow control of the objects to be retained by the country that supplied them, and would not be exported to the Soviet Union. Other possible approaches will also be considered.

Question 6. You state that you will monitor any collaborative research to ensure it does not threaten vital U.S. national security interests. How do you plan to do that? What will be involved in this monitoring? Will U.S. scientists report to you? Will you have the power to curtail, stop or increase their activities? Please tell us in detail what this monitoring will involve, both from a policy and from a scientific viewpoint.

Answer. At this early stage of discussion, the details of monitoring collaborative research to ensure it does not threaten vital U.S. national security interests have not been worked out. This is another topic under discussion in the National Security Council Working Group. We would monitor the research on such a project through our working scientists from the Department of Energy laboratories, the Department's Office of Fusion Energy and the Department's Office of International Security Affairs. We could and would curtail or stop any activity that might threaten vital U.S. national security interests.

Question 5. In describing the U.S./USSR fusion agreement, you state that costs are minimal, as the program is primarily an exchange agreement. You also state that there is no separate budget item for this activity. I don't believe this answer adequately responds to my question. There must be figures somewhere which tell how many scientists are involved, what they are paid for their participation, how they are paid and by what institution or agency, who pays their travel and per diem for what periods of time and to what destinations, and how much money is provided by whom for the scientific research tools? How much money will be paid by the United States to build a collaborative test reactor? Who is funding it? How is this determined? Which DOE or other agency budget funds it from which allocations?

Answer. U.S. scientists on these exchanges are paid their salaries plus travel and per diem costs. The costs are borne by the employing institution, e.g., Princeton Plasma Physics Laboratory, Lawrence Livermore National Laboratory, and Massachusetts Institute of Technology, out of program funds for fusion provided by the Department of Energy. U.S. exchange scientists travel principally to the Kurchatov Institute in Moscow, but also to the Ioffe and Efremov Institutes in Leningrad, the Institute for General Physics in Moscow, the Kharkov Polytechnic Institute, and the Siberian Branch of the USSR Academy of Science in Novosibirsk.

Only one piece of equipment, a Gaussmeter and associated probes for magnetic field measurements, has been taken to USSR recently. After use in the specific exchange in 1985, it was taken back to the U.S. by the scientist.

In this exchange program, each side bears the full costs for its own scientists and provides access to the agreed upon research facilities which are part of the ongoing domestic programs.

Shown below are the numbers of U.S. scientists, the total person-years and associated costs for 1984 and 1985 for the U.S./USSR exchange program. The person-year figure is developed by adding together the number of days spent by each individual U.S. scientist in the exchange program. To avoid confusion in developing the 1984 and 1985 analyses, all exchanges proposed to take place during the 1984 or 1985 period were assigned to that year even if they were delayed in the next calendar year because of scheduling. The annual cost of U.S. scientists' participation is about 0.05% of the total fusion budget. It should be noted because of the Soviet invasion of Afghanistan, no activities took place in 1980 and 1981, and only modest activities in 1982 and 1983.

U.S./USSR FUSION AGREEMENT

NUMBER OF U.S. SCIENTISTS SENT TO USSR AND ASSOCIATED COSTS

AGREEMENT YEAR	NO. U.S. SCIENTISTS	PERSONS/ YEARS	TRAVEL & PER DIEM	SALARY & FRINGE BENEFITS	TOTAL
1984	37	1.2	$112,000	$75,000	$187,000
1985*	27	1.7	87,000	81,000	168,000

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*Includes 1 post-doctorate student working for 10 months in USSR with lower per diem and salary costs.

With regard to the other parts of your question dealing with funding for a collaborative test reactor, there has as yet been no decision on such a project, no collaborative design conducted, no funding estimates made, and no funding mechanisms discussed.

6. With respect to my question on human rights, you state that human rights in one of the four agenda items in US/USSR discussions. You missed my point. My question is why have human rights been dropped from US/USSR and DOE discussions in scientific fields. I have information that National Science Foundation projects funded by DOE have dropped human rights from scientific discussions with the Soviets after many years of always including it. Was this a policy decision? Did DOE make it? If not, who did? Did the NSF use DOE funds for projects where human rights were dropped from the discussions. Is Dr. Sakharov's plight regularly raised with the Soviets in scientific discussion? I know it is raised elsewhere, but this is not my point. I would like to be assured that you will raise it in all discussions with the Soviets on science matters in which DOE plays a role or where DOE funds are involved.

I am not aware of any changes in policy with respect to the human rights issue and DOE/USSR scientific exchanges. The Administration's policy is to maintain a dialogue in scientific areas so as to allow the personal views of respected US peers to be conveyed to participating Soviet scientists. Human rights are of great concern to the U.S. scientific community and particularly to the high energy physics and fusion communities to which Dr. Sakharov made notable scientific contributions. DOE scientists continue to raise their concerns about human rights with their Soviet colleagues, not only on the margins of formal bilateral meetings, but also at technical conferences, seminars and other events at which Soviets may be in attendance. In this way, the Soviets recognize that the American scientists are representing the views of the American scientific community, and not just those of the US Government. This practice continues today as in the past with no diminution of importance.

With respect to NSF, I understand that DOE has never funded work through them in connection with US/USSR scientific matters. Some DOE researchers participated in a Working Group in Physics under the US/USSR Science and Technology Agreement. This Working Group was funded by the National Science Foundation through the National Academy of Sciences. All bilateral activities under the Science and Technology Agreement came to an end in 1982 when the Administration allowed the Agreement to lapse.

As I noted in my response of April 18, 1986 the human rights topic is one of the four major agenda items of the US/USSR discussions on the political level. I will do my utmost to ensure that the human rights issue continues to be raised in discussions with the Soviets in science matters in which DOE plays a role or where DOE funds are involved.

April 18, 1986

Honorable James A. McClure
Chairman
Senate Energy and
Natural Resources Committee
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are answers to questions which were raised at my confirmation hearing on Monday, April 14. Although, the official transcript of the hearing is not yet available these answers reflect my best understanding of what was asked.

Should you require additional information I will be happy to provide it personally or in writing.

Thank you for all the courtesies extended to me by you and your staff.

Best wishes.

Sincerely,

DBWaller

David B. Waller

Question from Senator McClure to David Waller

What are your plans to distribute oil from the Strategic Petroleum Reserve (SPR)?

Answer: Current policy on SPR drawdown and distribution is contained in the Fifth National Energy Policy Plan, which states: "The Administration announced last year (1984) its policy of early sale of SPR oil in large volumes in the event of a supply disruption. This policy would substantially reduce the hoarding and panic buying that helped create shortages and drive up prices during the past two oil disruptions."

The policies and procedures for the drawdown, sale, and distribution of SPR oil are contained in the SPR Drawdown (Distribution) Plan, SPR Plan Amendment No. 4. The SPR Plan provides that the basic method of distributing SPR oil will be price competitive sale, with awards going to the highest bidders. The sale would be open to all interested buyers, who will be required to sign a standard sales agreement as a condition for bidding.

Because of the interdependence of U.S. security with that of the rest of the free world, it is important that any drawdown of the SPR be coordinated with our allies in the International Energy Agency (IEA). A July 1984 IEA Governing Board decision recognizes the value of using stocks early in a significant supply disruption and establishes a means by which such drawdown can be implemented on a coordinated basis.

Question from Senator McClure to David Waller:

Did the recent SPR test sale prove that you can get the SPR crude oil out quickly in an emergency?

Answer: I have been advised that the recent test sale of SPR oil demonstrated conclusively that SPR oil can successfully be withdrawn from the storage caverns and delivered to purchasers for subsequent distribution by available transportation modes. The duration and magnitude of crude drawdown and distribution in this particular test were limited, but these test results confirmed the findings of other operational testing exercises concerning the readiness of the SPR for deployment.

Question from Senator Domenici to David Waller

Will you continue to develop SPR facilities to receive additional volumes of SPR oil, and will you continue to buy oil for the SPR, especially in light of current world oil prices?

Answer: It is my understanding that the Department will spend $157 million on construction associated with surface facilities at Big Hill and Bayou Choctaw. However, the SPR is not developing any additional underground storage capacity to receive crude oil beyond the existing 510 million barrels of storage capacity and a further 10 million barrels which will become available in FY 1987. The Administration proposes to suspend SPR fill when the Reserve inventory reaches 502 million barrels in July 1986.

A decline in oil price levels does not, by itself, necessarily argue for continued fill of the SPR. SPR fill decisions need to take into account the level of protection provided by oil already purchased (about 120 days of 1985 net imports), anticipated trends in future oil prices, the perceived nature of supply disruption risks and surge production capacity. The U.S. must also consider the actions of other IEA nations in bearing a greater share of the oil stock burden. In addition, the cost to the taxpayer for borrowing the funds and paying the interest costs associated with added investment in the SPR is a major consideration in light of the Federal budget deficit and deficit-reduction legislation.

If confirmed, it is my intention to continue to reevaluate SPR fill decisions on an on-going basis as oil market developments and fiscal conditions require.

Question from Senator Domenici to David Waller

Familiarize yourself with the issue of Canada's subsidization of its domestic uranium industry. Do you find evidence of preferential treatment?

Answer: Following up on your request that I familiarize myself with the issue of Canada's subsidization of its domestic uranium industry, I have made inquiries with the Department of Energy and the Office of the United States Trade Representative about this matter. I have learned that U.S. firms submitted information to the USTR during the course of its review of the uranium import trade and policy issues requested by Secretary Herrington in September 1985. The USTR, with the assistance of the Department of Commerce, computed the potential subsidy based on the allegations and found that even if all the claims were substantiated, the subsidy would be insignificant and did not merit countervailing duty or antidumping investigations.

However, considering the domestic mining industry's situation, if confirmed, I will continue to monitor the disadvantages to our firms from real or potential Canadian government subsidies. I have also learned that a continuing dialogue on uranium trade issues has been taking place between our two governments. If confirmed, I shall use these dialogues and any other appropriate vehicle to pursue this issue.

Question from Senator Wallop

What is the cost of our participation in the IEA? At what point would the United States be willing to withdraw from its obligations?

Answer: It is my understanding that the U.S. obligation to the Organization for Economic Cooperation and Development (OECD) and to its related organizations, including the IEA, was approved by OMB for FY-87 at $19.90 million. The IEA budget represents less than 10% of the total OECD budget. Although the U.S. does not earmark its OECD contribution by agency, the U.S. is pledged to provide 25% of the total IEA budget, which for 1986 equaled $10.9 million (at FF7.6=$1).

We are in the IEA because we recognize the interests we have in common with other IEA members on security of energy supply and other energy issues that could potentially affect our economic prosperity and national security. Individual nations, in developing their own energy policy plans, goals, and objectives, need to take into account the impact they might have on each other's energy economies and on world energy markets as a whole.

The IEA serves as a unique forum for the US to promote international energy policy goals to increase the common energy security of all IEA countries. My predecessors have used the IEA as a medium to convince other IEA countries to adopt plans and policies supportive of a free market approach to dealing with long- and short-term energy issues. The IEA, in turn, serves to enhance the domestic energy objectives of the US and other members through special studies and annual country policy reviews that focus on eliminating subsidies and price controls, removing barriers to trade, exploiting the use of conservation, coal and nuclear energy--the three most important mid-term energy resources identified in the fifth US National Energy Policy Plan--and pursuing well-focussed, efficient and stable energy research and development programs.

The US would be willing to withdraw from its obligations to the IEA/OECD if that organization were to no longer serve the vital energy and economic security interests of the United States. I think the record of the IEA, however, points in quite the opposite direction: it has proved an effective organization--aimed at achieving results, not merely sponsoring debate--and has shown itself to be dynamic and responsive, moving quickly to focus on changes in the international energy environment as they occur.

There is still room for improvement of course. We continue to work to reduce the U.S. burden of holding high oil stocks relative to other countries, to focus on the effectiveness of adequate stocks and a coordinated plan for their drawdown in lieu of the emergency sharing system, and to avoid increases in dependence on Soviet gas as countries reduce oil imports.

Question from Senator McClure

What are the current rates at which the SPR can be drawn down and what are your plans to distribute the oil? Will pipelines and refinery capacity continue to be available to transport and refine SPR crude oil?

Answer: I am informed that the currently planned inventory of 502 million barrels can be drawn down (i.e., withdrawn from storage caverns) at a maximum rate of 3.3 million barrels per day for a period of 90 days. After this period the rate diminishes over time as the usable inventory in individual caverns and sites is depleted.

The Reserve has the capability to distribute SPR oil into the commercial transportation system at a rate of 2.3 million barrels per day for 90 days. The Administration's FY 1987 budget proposes enhancements to SPR distribution capabilities to permit achievement of a 3.1 million barrels per day initial capability. SPR oil will be distributed by competitive sale whereby oil would be delivered to purchasers at SPR terminals for subsequent distribution via the commercial transportation system. In addition, I understand that a December 12, 1984, study by the National Petroleum Council concludes that sufficient domestic capacity will be available to refine SPR crude oil through 1990.

I am informed that the Department will continue to assess the availability of this capacity and is monitoring longer-term trends in petroleum distribution systems to ensure continued readiness of the SPR to perform its mission.

Question from Senator McClure to David Waller

What was contemplated for AST-5? Are there plans for AST-6?

Answer: The fifth IEA Allocation Systems Test took place from September 20 through November 16, 1985. The objective of the test was the training of IEA Secretariat, member government and industry personnel in the essential procedures and mechanisms of the IEA Emergency [Oil] Sharing System (ESS). The test took place at IEA Headquarters in Paris, in the capitals of the 21 member countries of the IEA, and at the offices of the 40-odd Reporting Companies and their affiliates that participated in the exercise. The test simulated the operation of the ESS, which operates on a monthly cycle. Participants reacted to hypothetical disruption scenarios in each of two such cycles.

Activities in the first cycle were based on supply data for the months of October through December 1984. In response to the IEA scenario, Reporting Companies and member countries completed and submitted emergency data questionnaires (Questionnaires A and Questionnaires B, respectively) in accordance with the test rules and schedule set forth in the AST-5 Test Guide. The scenario postulated an overall reduction in world supply of about 15% resulting from a 45% reduction of liftings in 14 oil producing countries, including the majority of such countries in the Middle East and North Africa, and certain countries in the Western Hemisphere.

Based on these data submissions, Allocation Rights (ARs) and Allocation Obligations (AOs) were calculated for each member country by the IEA Secretariat. In response, industry submitted voluntary supply and receive offers to "balance" IEA supplies. These voluntary offers were matched by the Industry Supply Advisory Group (ISAG) taking into account various factors including logistic constraints and oil quality requirements. After approval of matched offers by the IEA, Reporting Companies and member countries were notified of the outcome of the matching process, and sellers and buyers contacted one another to confirm and, thus, simulate implementation of these transactions. In order to provide additional training in this regard, the IEA arbitrarily designated certain transactions as "non-implemented," which required the ISAG to rematch these offers.

The second cycle, covering the months of October 1984 through January 1985, was based on a somewhat different scenario. The overall reduction of world supply in this cycle was postulated to remain at 15%, but the reduction in oil liftings from countries in the first scenario was changed to 25% (vice 45%). The test scenario also postulated a loss, for unspecified reasons, of U.S. Alaskan North Slope crude production such that there were to be no arrivals in the period November 1984 through January 1985. The IEA system procedures were followed up through the calculation of ARs and AOs, after which the exercise terminated.

The IEA Governing Board met on April 10, 1986, to review, among other things, the outcome of the test. In general, the Secretariat, member countries and companies regarded AST-5 as a successful training exercise. AST-5 revealed a number of areas in connection with the operation of the ESS which will require some further work by the IEA. The IEA has made no commitment to another AST type of exercise at this time.

By identifying certain additional areas in connection with the operation of the ESS which will require further work by the IEA, the test made some advances beyond the experience of the previous test. In addition, by focusing AST-5 on the essential procedures and mechanics of the ESS, participants received substantial training, which is the primary purpose of these exercises. For example, the Industry Supply Advisory Group (ISAG), which performs the matching of voluntary supply and receive offers, processed 773 transactions in AST-5. Thus, the ISAG had a very rigorous exercise of its operating procedures including the use of the IEA computer-assisted voluntary offer processing system. Likewise, the drawdown and distribution of the U.S. SPR, which was simulated in a systems test for the first time in AST-5, provided U.S. Reporting Companies training in taking these volumes into account in preparing data submissions to the IEA.

Question from Senator Domenici for David Waller

With regard to natural gas, why does Canadian gas play such a large role in the West Coast market? Do you have any evidence of preferential treatment (for pipeline affiliates of U.S.-owned companies)?

Answer: I have been informed that over the last two years there has been a significant change in our bilateral natural gas trade with Canada. We have experienced a movement from a rigidly structured and regulated market to one which encourages and facilitates free negotiation of gas trade arrangements between private parties. In 1984 the Canadian government concluded that in order to regain some of the U.S. market share lost since 1980, policy changes had to be adopted which would make Canadian gas more competitive in U.S. markets. These new policies were adopted and have resulted in Canadian gas playing a greater role in meeting U.S. demand. Canadian gas sales in the U.S. have recovered to their historical level of approximately 5% of total U.S. consumption. The average price of Canadian gas has dropped over 40 percent since the beginning of the market responsive policy and U.S. customers continue to have access to a less expensive, market responsive supply of gas.

In the case of the U.S. West Coast market specifically, Canadian gas has been a significant source of supply for many years. This is due in large part to the fact that U.S. domestic suppliers are unable to meet the full needs of this market either for supply availability or transportation capacity reasons. Canada provides a stable source of supply and offers long-term contracts to U.S. buyers. The current Canadian contracts have been in effect for many years and all of them have been renegotiated to reflect current market conditions.

Canadian gas currently provides about 40 percent of Pacific Gas and Electric (PG&E) supply, 6 percent of Southern California Gas Company supply and about 40 percent of Northwest Pipeline Companies. It is my understanding that no evidence exists to indicate that Canada is subsidizing Canadian company participation in the U.S. gas market.

With regard to preferential treatment being accorded to Canadian companies, I assume you may be referring to the situation in California concerning Pacific Gas and Electric (PG&E) and Southern California Gas and the relationship with their pipeline suppliers. Since both of these utilities are intrastate distributors they are under the jurisdiction of the California Public Utility Commission (CPUC). The CPUC's major concern, I believe, is to provide the least cost gas for California consumers. In keeping with that goal, the CPUC looks at distribution companies and their suppliers in order to determine the policy the distribution companies should follow in deciding on the sequencing of gas purchases from different suppliers. They consider, among other factors, the age and remaining capital investments of pipelines serving various customers. In the case of PG&E and Southern California Gas, the CPUC developed two different methodologies for their sequencing policies. I understand the CPUC is proposing to change its policies in order to allow more flexibility in the system. Although the Department of Energy does not have a direct role in this issue, we are aware of your concerns and will continue to monitor the situation.

Question from Senator Wallop for David Waller

What is the status of the programs at the IEA and in your opinion is it functioning well?

Answer: The Department of Energy considers the IEA to be a vital forum for pursuing energy security goals. Since its founding in 1974, the IEA has worked to improve the collective energy supply security of its members by developing and testing coordinated emergency response programs for dealing with short-term supply disruptions. It has also promoted the adoption of energy policy goals and objectives focussed on the economic development of alternative energy supplies, improvements in the efficiency of energy use, and cooperative research and development programs to secure adequate supplies for the mid to long term.

I have been informed that at the July 1985 IEA Governing Board meeting at the Ministerial level, energy ministers--because of a strong leadership position taken by Secretary Herrington--agreed to open energy markets, particularly with respect to oil product imports; to maintain adequate stock levels and coordinate early use of stocks in case of a crisis; to continue to implement the 1983 Ministerial conclusions on natural gas supply security; to pay continued attention to increased utilization of coal and nuclear energy; and to enhance collaboration for R&D efforts to increase common energy security and the cost effectiveness of research.

At the latest IEA Governing Board (at official level) on April 10, 1986, participating countries reconfirmed their commitment made in July 1984 to the early coordinated use of strategic stocks to replace any shortfall in supply. Additionally the Governing Board stressed the importance of maintaining adequate stock levels and noted that the current oil market situation affords an advantageous opportunity to increase stock levels. We will continue to use the IEA as a forum for pressing others to build and hold adequate levels of strategic stocks.

I have been informed that other current major IEA initiatives include:

- -- AST-5 -- The result of the last allocation Systems test (AST-5) was reviewed at the April Governing Board (GB); delegates agreed on the usefulness of AST-5 for training.
- -- Gas Study -- Agreement was reached at the April Governing Board to publish the now-completed follow-up to the 1982 IEA study on "Natural Gas Prospects." The update highlights the need for European countries to diversify sources of natural gas away from the Soviet Union.
- -- Country Reviews -- Approval was given at the April Governing Board to publish the recently completed 1985 annual review of member country energy policies and plans.

-- Conservation -- The IEA's conservation policy study will be completed in late 1986-early 1987. The study will be the first major IEA work on conservation policy since 1980 and will help countries evaluate the cost-effectiveness of conservation programs.

-- Coal -- The IEA is conducting its third biennial coal review, which will address issues of current concern to the coal industry; especially removing barriers to the development of international coal trade.

-- Declining Oil Prices -- The Governing Board reviewed the current world oil market situation, emphasizing the macroeconomic benefits of lower oil prices. It reaffirmed the IEA's market-based response to lower oil prices (including reducing barriers to energy trade and facilitating development of indigenous energy resources) and noted the favorable conditions for building government oil stocks.

In conclusion, the IEA has proven to be a dynamic organization that moves quickly to address major energy policy issues to assure a coordinated international policy approach. Most recently, for example, the IEA was able to provide a forum for discussing member countries' different views and it effectively encouraged a unified and restrained approach to dealing with the current oil market situation.

In the 1970's, IEA programs had a short-term horizon and were focussed on emergency mechanisms for IEA members to share the burden of oil supply disruptions and on complimentary policies to reduce members' dependence on imported oil. In the 1980's the focus of IEA policies shifted to mechanisms that will provide adequate and secure supplies of energy both in supply disruptions and in the mid- to long-term. We will continue to press the IEA in this direction, and we will keep IEA policies and programs under continuous review to promote efficiency and improve their effectiveness.

April 28, 1986

The Honorable James A. McClure
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed please find my responses to the follow up questions submitted by Senator Wallop under cover of his April 24, 1986 letter to you. It is my pleasure to provide this additional information in connection with my pending nomination.

At the time my initial written responses were prepared, a transcript of my confirmation hearing was not yet available. Thus, please understand that any discrepancy between the questions asked at the hearing and the questions reconstructed for me by DOE employees who had attended the hearing, was unintentional.

I hope and trust that you, Senator Wallop, and the other members of the committee, find the enclosed responses to be complete and helpful. Needless to say, however, I stand ready to provide any additional material that may be requested.

Sincerely,

DBWaller

David B. Waller

Enclosures

FOLLOW-UP QUESTION FROM SENATOR WALLOP FOR DAVID WALLER

You state that "the U.S. is pledged to provide 25% of the IEA budget, which for 1986 equaled $10.9 million." Is this the U.S. share, or the total IEA budget? Can you give me a breakdown of the budget? How much is spent on salaries, travel and per diem, publications, studies, conference costs, administrative overhead, etc.? How large is the staff? Who pays them and how is that funded? How many DOE and other agency employees travel to Paris every year at U.S. Government expense to attend IEA meetings? How much does that cost and who funds it? How many DOE or other agency employees are employed in Paris at the IEA?

Answer: As I noted, the U.S. does not earmark its OECD contribution by agency. The U.S. is pledged to provide 25% of the IEA budget according to provisions in Article 10(A) of the Decision of the Council (of the OECD) establishing an International Energy Agency of the Organization. The scale of contributions by member countries is determined by the Gross National Product (of each country) at factor cost and the exchange rates (units per U.S. dollar).

IEA budgets are computed in French francs (ff), as is the U.S. obligation; for ease of discussion, I converted the total IEA budget of ff 82,942,200 into the dollar amount of $10.9 million using ff 7.6 = $US 1.00. The U.S. share is 25% of this total after publication and incidental income of ff 5,026,000 ($.66 million) is deducted. A breakdown of the CY 1986 IEA budget is attached; it shows in percentage terms how much is spent on salaries, publications, conferences, operating expenditures, etc. The IEA's total staff equals 123; this figure includes the Executive Director, Deputy Director, senior management and energy analysts as well as all administrative, clerical, and security personnel. Their salaries are part of the total IEA budget.

In a typical year about 26 IEA meeting are scheduled. The following breakdown of these meetings represents an estimate of a typical year. The breakdown is not an audit of a specific year's meeting schedule which would vary as a function of IEA responsiveness to world events or members' IEA specific program goals. A specific audit would require additional time to respond.

A typical year would include: 4 Governing Board (GB) meetings; 2 meetings of the Committee on Energy Research and Development (CRD); 6 meetings of the Standing Group on Long-Term Cooperation (SLT); 3 meetings each of the Standing Group on Oil Markets (SOM), of the Standing Group on Emergency Questions (SEQ), and of the Industry Advisory Board, (IAB, industry experts who advise the SEQ); and 2 meetings of the Industry Working Party (IWP, a technical group for the SOM). In addition, the SLT Subgroup on Energy Conservation meets 3 times a year; technical experts' groups of the Subgroup meet 2-3 times. The CRD has 4 working parties (technical experts) each of which meets annually at a minimum.

In certain years, such as 1985, there are special events such as the IEA Ministerial meeting and the fifth allocation systems test (AST-5) which require additional USG travel for preparatory meetings and for the events themselves.

Economy class round trip airfare costs approximately $1500 per person and per diem can range from $80-$148 per day depending on the monthly rate set by the Department of State. Meetings are 2-3 days at the most and often are scheduled to fall back-to-back to cut down on the number of people needed for representation. U.S. representation at meetings typically includes the Head of Delegation and two alternate representatives, one from the State Department and one from DOE: each agency funds its own representatives.

Currently 10 Americans are employed at the IEA in Paris; of those, 5 are on leave of absence from the U.S. Government -- 2 from DOE, 1 from Interior, 1 from State and 1 from the Environmental Protection Agency.

OECD/IEA BUDGET

Category	%
Salaries and allowance of permanent staff	55.8
Recruitment, replacement, home leave	4.3
Official travel	3.1
Representation (primarily working luncheons)	0.3
Auxiliary staff (translation, temporaries	0.3
Consultants, project staff, contract costs	2.8
Public information	0.4
Conferences, workshops, seminars	0.5
Meeting room rental and interpretation	2.1
Documentation (procurement of books/publications)	0.4
Capital Expenditure (furniture & equipment)	0.2
Translation, documents and publications (produced by IEA)	9.3
Operating expenditure (telephone, telex etc.)	2.4
Office space	8.8
Equipment (computers, photocopying)	5.4
Office supplies	0.4
Miscellaneous expenditure	0.1
General OECD administration (personnel, payroll etc.)	3.4
FF 82,942,200	100

FOLLOW-UP QUESTION FROM SENATOR WALLOP FOR DAVID WALLER

You state that the IEA is an effective organization aimed at achieving results, not merely sponsoring debate. Please give me some concrete examples of results. Please respond to my questions to you in the hearing about European foot-dragging on their emergency sharing system.

Answer: As I noted in my previous response, the IEA has proved to be an effective organization, moving quickly to focus on changes in the international energy market as they occur. As I also noted, the IEA serves as a unique forum for the U.S. to promote international energy policy goals.

In reviewing the past activities of the IEA, I find several examples of concrete results. They include:

- Natural gas security -- In 1982, at U.S. urging the IEA was the first organization to closely examine the policy and security implications of Soviet pipeline gas being marketed in Europe. The study which emerged as "Natural Gas Prospects" led in 1983 to a confidential study entitled "Energy Requirements and Security". The latter study, especially the chapter on natural gas supply security, formed the analytical basis for the IEA Ministers to endorse in July 1983, conclusions on natural gas supply security, whereby countries agreed to avoid undue dependence on any one source of gas imports and to obtain future gas supplies from secure sources, with emphasis on indigenous OECD sources. I would like to note parenthetically that the fact that the IEA provided the analytical support for this study was crucial to its success because the IEA was able to provide a forum for "neutral" countries, e.g. Switzerland, Austria, Sweden, to keep out of the "East-West" issue. The latest IEA issue paper regarding gas, which was approved for publication in April, updates the 1982 study and highlights the need for European countries to continue to diversify sources of natural gas away from the Soviet Union.

- Emergency Sharing System -- The IEA's emergency sharing system was first agreed to in 1975. At that time, participating countries agreed to maintain stocks at 60 days of imports. In 1976, governments agreed to increase their stock holding requirement to 90 days by January 1980. As of January 1986, only four countries -- Belgium, Ireland, Luxembourg and Turkey -- held less than 90 days of 1985 average net imports, but IEA Europe as a whole held 110 days of stocks. In July 1984, at U.S. urging, member countries agreed that the emergency sharing system itself was not enough to manage the pain associated with a supply shortfall. At that meeting, member countries agreed that a coordinated use of strategic stocks early to replace a supply shortfall would be an effective means to limit disruptions. In the summer of 1985, Secretary Herrington and other energy ministers confirmed their support for this effort.

- Oil Product Imports -- Secretary Herrington was among the strongest proponents of open energy markets at that same IEA Ministerial; through his leadership, energy ministers agreed to open energy markets, particularly with respect to oil product imports. Specifically ministers agreed to pursue expeditiously a common approach whereby they would maintain or create conditions such that imported refined products could go to the markets of the different IEA countries and regions on the basis of supply and demand as determined by market forces without distortion. Japan's recent move to open its market to product imports was in large part due to the IEA's decision.

- Reducing Trade Barriers and Subsidies -- Because of the studies and country reports that the IEA generates, we have been able to pressure countries like Japan, the U.K., Spain and Germany to reduce subsidies on uneconomic domestic coal production and open their borders more freely to coal imports.

Regarding your questions about the Europeans "foot-dragging" on their emergency sharing system, as I noted earlier in my response, although the European countries of the IEA as a whole hold more than the required level of oil stocks, primarily through private company holdings, four European countries currently hold less than the mandatory level. We will continue to press these countries to meet their obligations. In addition, we would prefer to see a further increase in European stock levels beyond the manatory requirement and through the IEA we have urged that the effectiveness of European stocks be improved, primarily by increasing the stocks owned and controlled by member governments. The language in the April 10, 1986, IEA Governing Board communique that draws attention to the currently advantageous opportunity to increase stock levels and to the "importance of maintaining adequate [not merely required] stock levels" reflects U.S. success in drawing our partners' attention to this critical issue. The IEA will continue to provide quarterly stock reports on the basis of which we can judge actual improvements in the European stock situation.

FOLLOW-UP QUESTION FROM SENATOR WALLOP FOR DAVID WALLER

You state that there is still room for improvement in the IEA. Please give your views on where those improvements could be made. What steps will you take, if you are confirmed, to assure those improvements?

Answer: There is room for improvement in almost all organizations; the IEA is no exception. Among 21 sovereign nations, no matter how similar their interests, there are compromises necessary. My effort will focus on working to insure that those compromises fully reflect essential energy security and U.S. energy policy interests, and the operation of the free market.

More specifically, if confirmed, I will urge our IEA allies to:

- Continue to build and to hold high oil stocks and to continue to develop a coordinated plan for their drawdown;
- avoid increases in dependence on Soviet gas as countries increase gas use to reduce oil imports;
- seek removal of impediments to greater development and use of coal and nuclear resources, especially foreign subsidies for domestic coal production;
- foster increased international collaboration in energy research and development to increase efficiency and accelerate progress; and
- remove trade barriers and resist establishing new ones, particularly for refined petroleum products and coal imports.

As I indicated at my confirmation hearing, I intend to provide strong leadership in carrying out my representational functions at the IEA, anticipating, reacting, and responding as necessary to the evolution of world events.

In administrative terms, I will carefully examine the IEA's budget and annual work plan to assure that:

- Any overlap between Secretariat offices, between various IEA standing groups, and between the IEA and other comparable international organizations, e.g., NATO, is eliminated;
- changing requirements are met by shifting resources, not by requesting additional resources;
- IEA administrative costs are kept to the minimum required to accomplish the IEA's mission; and
- travel and manpower burdens on member countries to support IEA activities are consistent with current priorities as identified by IEA member countries.

FOLLOW-UP QUESTION FROM SENATOR WALLOP FOR DAVID WALLER

> You state that the IEA has proven to be a dynamic organization which moves quickly to address major energy policy issues. Please give some concrete examples of that. Your examples are that it has published studies and country reviews and that it has provided a forum for discussion. Couldn't that have been done without the IEA? Wouldn't the industry itself and the research community do these studies without the IEA? Wouldn't all these studies be better done by the private sector? Couldn't western energy ministers meet regularly without an expensive international secretariat in Paris?

Answer: We are in the IEA--indeed one of the major reasons the IEA was established was--because we recognize the interests we have in common with our allies in the IEA on security of supply and related issues that could potentially affect our economic prosperity and national security. These issues arise from the importance of secure energy supplies to our industrialized economic and national security interests. Individual nations, in developing their own energy policy plans, goals, and objectives need to take into account the impacts they might have on each other's energy economies and on world energy markets as a whole.

When the IEA was first created, energy shortages and politically motivated embargoes were the primary concern of IEA member countries. A strong, allied IEA was viewed as a deterrent to politically motivated embargoes and a defense against oil supply disruptions from potentially unstable sources.

In the 1970's, IEA emergency programs were focused on mechanisms that would allow IEA members to share the burden of supply disruptions. In the 1980's, the focus of IEA policies has shifted to mechanisms that will provide adequate supplies of energy both in supply disruptions and during the medium to long term.

I believe the IEA has proven its merit by providing a framework for solutions that meet our changing collective energy concerns. It is true that energy ministers could meet without the IEA, but they would be doing so without a common basis of data and analysis; it is true that industry and the research community can do studies on various energy issues, but without active involvement of governments, these studies are unlikely to significantly affect policies..

If you ask if we could have achieved all that we have achieved in the decade since the Arab oil embargo without the IEA, I would have to say "no." The IEA has provided--through its studies, country reviews, and forum for discussion--a unique opportunity for regular policy discussion that has resulted in concrete action. Neither industry nor the research community can provide for policy discussions. Additionally, the IEA is a collection point and source of analysis of energy statistics on a comparable basis for 21 nations, and it has proven itself exceptionally able to provide necessary background documentation on energy developments country by country. The annual country policy studies are done under the auspices of a rapporteur from a member government, so that they represent not critiques by a faceless Secretariat, but rather are an annual peer review.

I believe the most current example of the ability of the IEA to move quickly to address major energy policy issues is its response to the issue of falling oil prices. IEA Executive Director Helga Steeg took the initiative early this year by calling an informal meeting in February 1986 of Governing Board level representatives. The IEA followed up by agreeing at the April 10, 1986, Governing Board to a communique addressing the current oil market situation.

The IEA was effective in providing both OECD-wide macro-analysis and policy direction:

- It conducted macro-analyses of the economic and energy impacts of lower oil prices. The preliminary results, as reflected in the April 10 communique, are that:
    - on balance, lower oil prices produce significant and welcome macro-economic benefits in member countries and for the world economy;
    - in the long term, a prolonged period of relatively low oil prices might intensify concern about energy supply security and bring forward the period when tighter energy markets can be expected.
- It urged member countries to avoid making energy policy changes until a greater understanding of the duration of the current oil market situation and its possible implications has been achieved.
- In particular, the IEA proved very useful in providing a forum to forestall unilateral actions by individual member countries that the U.S. believes would be unhelpful at present, e.g.:
    - any attempt to convene a multilateral producer/consumer conference. The only result such a conference could produce would be to increase government involvement in energy markets, which function best unimpeded by government manipulation;
    - oil production cutbacks by IEA countries;
    - measures to protect IEA oil production from international markets.

Without the IEA, I believe that some individual industrialized countries might have moved to short-circuit their own success in attaining a freer world oil market that currently is providing significant benefit to U.S. and IEA member country oil consumers and to U.S. and worldwide economic growth. In a market for a fungible commodity such as oil, the industrialized countries form a chain that truly is no stronger than its weakest link; the IEA provides a critical forum for attaining the solidarity needed to strengthen the weaker links.

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